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RUGS : Doctor or Policeman

APRIL 7, 1978

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Drug policy dissected

AT ONE point in his statement containing the decisions of the government o Hathi committee report on the drugs and pharmaceuticals industry, the mi for Petroleum, Chemicals and Fertilisers says that the aim of the new drug pol "to control, regulate and rejuvenate this industry". That the industry needs "rejuvenated" is far from obvious. The statement itself notes that "in the last decades since independence, the industry has expanded considerably and India t has wide-ranging capability and production in basic drugs and formulations". then, does the question of "rejuvenation" arise? Consistency or coherence, pre ably, is not to be expected in government statements, especially when they deal major economic policies. In any case, even if the drug industry is to be "rejuvenat this policy assumes no doctor's role; it has chosen merely to play the police throughout.

The statement lists nine broad objectives. Some of them clamour for comm One objective is "to develop self-reliance in drug technology". The assumptions implications of this statement of intention are plain stupid. No country in the wo however advanced its drugs and pharmaceuticals industries may be, claims "s reliance in drug technology" or is seeking to develop it. Self-reliance in drug tech logy is both meaningless and impossible. This is why multinational firms play s a significant and extensive role in this industry the world over. What the statem probably attempts to suggest is that the drugs and pharmaceuticals industry in t country should step up its R&D efforts so that, besides sharing, through the norm mechanisms of international exchange, in the gains of product and process resea and development taking place in the various countries of the world, it could a make its own contribution to that pool. More specifically it could mean that the dru and pharmaceuticals firms in this country should not confine themselves to the man facture of formulations but should also take up more and more the manufacture drug intermediates and high technology bulk drugs from the basic stage. To mutt the *mantra* of "self-reliance" mechanically in this context reveals a bankruptcy thinking.

Another broad objective of the policy is "to provide a leadership role to th public sector". The two principal public sector drug manufacturing units accounte for 33 per cent of the country's production of bulk drugs and seven per cent for pro duction of formulations during 1976-77. In comparison, the foreign sector, in whic there are 45 companies, accounted for 42 per cent of the country's production of bul drugs as well as of its output of formulations. The share of the Indian private sector including the small-scale sector, in the production of bulk drugs was 25 per cent and in the production of formulations 51 per cent. From this it is clear that the public sector already plays a leadership role in the manufacture of bulk drugs. If its share in the output of formulations is low, it is because of the deliberate investment and pro duction planning decisions taken by or on behalf of the two units in this sector. In any case as regards formulations, government policy seems to be to encourage the small-scale sector to increase its market share progressively. It follows that the growth of the public sector in this industry will very largely have to be in the field of bulk drugs. The pace and extent of this growth will naturally depend on the addi tional capital which the public sector units could obtain from the government or generate themselves for the expansion or diversification of their production.

The policy also proposes "to aim at quick self-sufficiency in the output of the drugs with a view to reduce the quantum of imports". With the growth of domestic production, the country's dependence on imports has been coming down and the position in 1976-77 was that, while the value of the total production of bulk drugs within the country was of the order of Rs 150 crores, the c.i.f. value of imports was Rs 47 crores. It is quite proper and possible that, given the stage of development the

drugs and pharmaceuticals industry has already reached in our country, it should aim at meeting as high a share of the domestic demand as it can, consistent with the maintenance of reasonable levels of costs and prices and high standards of quality in manufacturing and marketing.

The fostering and encouragement of the growth of the Indian sector is declared to be another broad objective. As assumed earlier, the Indian private sector already holds a major share in the production of formulations. In the case of bulk drugs, the combined share of the Indian public sector and the Indian private sector also amounts to a comfortable majority. Against this background, the inference could be what the new policy really means is that the role of the foreign sector should be reduced to a steadily shrinking element. This purpose is clothed in euphemistic terms in the statement itself where it says that the new policy seeks to provide controls for "containing and generating the activity of foreign companies in accord with national objectives and priorities". Incidentally, whether a foreign sector, in any meaningful sense of the phrase, will remain at all when this policy is implemented is doubtful, as we will see later on.

Two other broad objectives of the policy are "to ensure that the drugs are available in abundance in our country to meet the health needs of our people" and "to make drugs available at reasonable prices". The various operative decisions of this policy, however, do not seem to be even remotely related to these purposes. Finally, the offering of "special incentives to the firms which are engaged in research and development" is also included in the list of broad objectives. But to the extent that this policy at all attempts to do this, it is only by beating about with the big stick furiously.

II

The first decision of the new policy is to reserve fields of production of drugs through the mechanism of industrial licensing. Twentyfive items are reserved for the public sector and another 23 for the Indian sector, while 66 more are kept "open for all sectors". In considering industrial licensing applications for items in the third list, however, preference will be given to Indian companies over MRTP units and foreign companies in that order. There is no mention here of the public sector units and it is therefore not clear where their place is in this pecking order. Incidentally, are the terms "Indian companies" and "MRTP units" mutally exclusive? But, then we should not, as was noted earlier, look for too much clarity of thinking or expression in government statements on economic policies.

After laying down its very definite order of preferences for the granting of industrial licences for the items open to all sectors, the statement proceeds to say, rather unconvincingly, that "economy of scale, technology and pricing of products, however, would be a deciding factor". The reconciliation of these decisions had better be left to the minister and his minions.

While regulating production through the means of industrial licensing, the ministry aspires to ensure a rate of growth which will avoid shortages and also make available required surpluses for export. Mr Bahuguna's faith in the competence of his ministry or its agencies in the area of market forecasting is truly impressive and he should be an asset to any government wanting to accomplish big things in the field of economic planning.

Indian sector

The policy seeks a large and rapid expansion of the share of the Indian sector in the manufacture of formulations. The units in this sector will be allowed formulation licences up to 10 times the value of their bulk production. They should, however, ensure that the formulation turnover is based on a ratio of 2:1 between the consumption of indigenous bulk drugs and/or imported/canalised bulk drugs. The question of whether Indian companies may be allowed to expand formulation capacities freely, if they do not employ imported bulk drugs but will depend only on indigenous bulk drugs, will be reviewed after a year. The aim here is to promote the consumption of indigenous bulk drugs generally and encourage substantial investments by Indian companies in the production of bulk drugs by themselves.

The policy makes no secret of its pur-

pose to promote the public sector and t
Indian sector by restricting the forei
sector by all possible means. It offers
apology for this approach, but takes pri
in the claim that its decisions in th
regard are an improvement on the maj
rity recommendation of the Hathi co
mittee that "the multinational units in t
field of drugs and pharmaceuticals shou
be taken over by the government
Foreign companies engaged only in th
manufacture of formulations or bulk dru
"not involving high technology", or bot
will be directed to bring down their foreig
equity forthwith to 40 per cent, so th
66 per cent of the balance equity current
in the hands of the foreign shareholde
is disinvested in favour of governmer
financial or public sector institutions an
the rest in favour of Indian investors
preference in the latter case being give
to the Indian employees of such com
panies.

enter financial institutions

For the purpose of FERA, a dru
company will be deemed to be
foreign company if the direct foreig
equity is above 40 per cent. In the cas
of foreign drug companies, other tha
those engaged only in the manufacture o
formulation of bulk drugs not involvin
high technology, or both, where there i
a reduction of foreign shareholding unde
FERA guidelines or on expansion, govern
ment financial and public sector institu
tions will aim at acquiring, to the extent
possible, 66 per cent of the balance equity
while the rest is disinvested in favour o
Indian investors, preference being given
to the Indian employees of such com
panies.

This means that, independent of FERA
guidelines or dilution formula, all com
panies in the industry having foreign
equity and engaged only in the manu
facture of formulations, or bulk drugs
not involving high technology, or both,
will be required to bring down their
foreign equity to 40 per cent. Thereafter,
they will cease to be FERA companies
and enter the Indian sector. The other
companies with foreign equity and manu
facturing operations covering bulk drugs
involving high technology, will continue
to be governed by the FERA so long as

their foreign equity is above 40 per cent. They will constitute the foreign sector under the new policy. However, given the various restrictions and special obligations placed on the foreign sector by the new policy, it is possible that many of the companies in this category may also choose to bring down their foreign equity to 40 per cent and thus join the Indian sector, thereby also freeing themselves from the FERA embrace, provided, of course, they decide to remain in this country and expand their businesses subject to the conditions and limits set by the new drug policy.

III

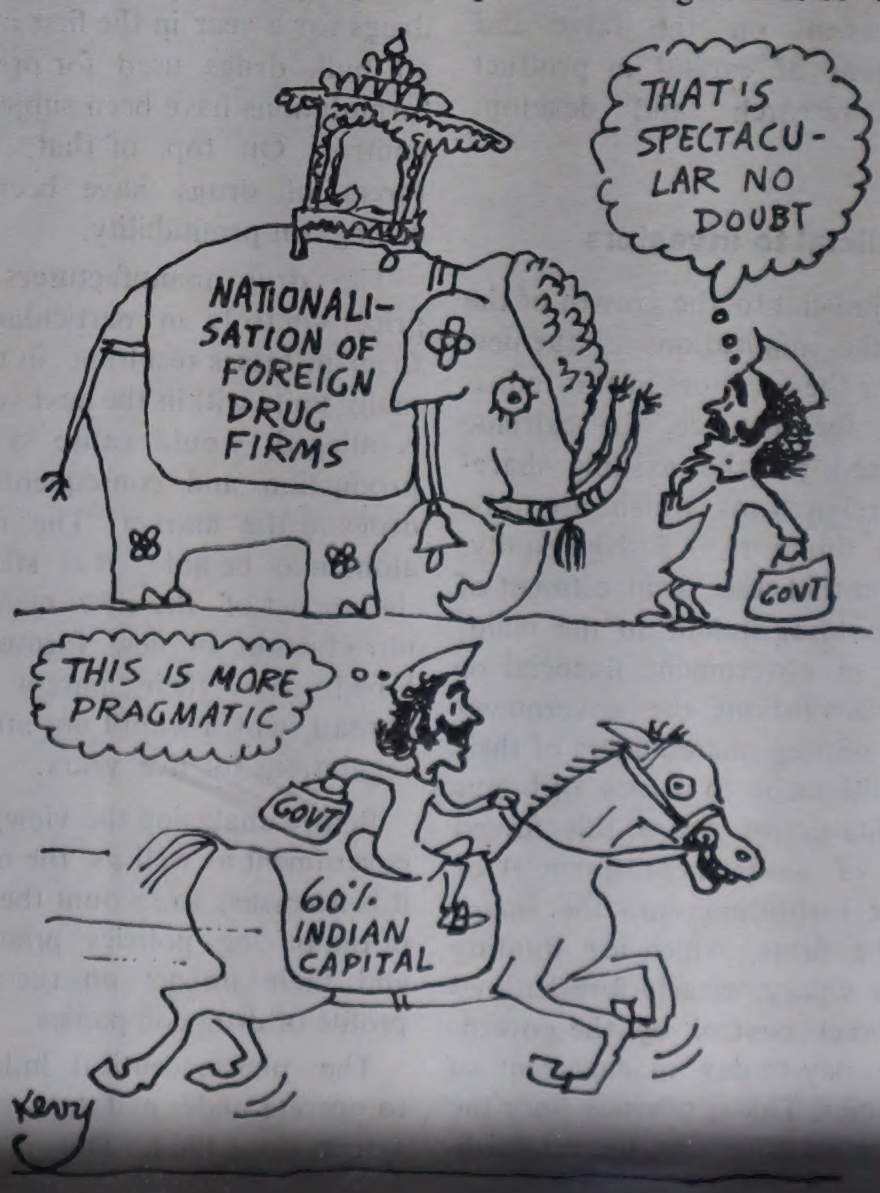
These limits and conditions scale great heights of inventiveness. Foreign companies engaged in the manufacture of household remedies will not be granted any expansion in capacity nor will they be allowed to take up such activity as additional items hereafter. Again, foreign companies, producing drug formulations based on imported bulk drugs or producing bulk drugs from the penultimate stage, will have to manufacture, within a period of two years, the bulk drugs concerned from the basic stage. Existing foreign companies will be given formulation licences in future only if they are linked with the production of high technology bulk drugs from the basic stage. Even their applications for industrial licences for the manufacture of high technology bulk drugs will be considered subject to the overall condition of their supplying 50 per cent of their production of such bulk drugs to non-associated formulators and subject further to their restricting their overall ratio of bulk drug consumption (from own manufacture) to formulations from all sources to 1:5. It must however be added that the condition of release to non-associated formulators applies also to the Indian companies, public sector and MRTP companies in similar circumstances, although in respect of the first two categories the ratio is lower at 30 per cent and 40 per cent respectively.

The policy decision on the regularisation of capacity of production in excess of licensed capacity or capacity otherwise authorised is that the highest production actually achieved in any year during the three-year period ending March 31, 1977 will hereafter be treated as the authorised licensed capacity. At the same time companies which have created such excess capacity will not be immune from penal action. It is indeed strange that the government should reserve the right to punish firms which have exceeded licensed capacity although this excess capacity itself is to be given *post facto* legitimacy in the public interest. Moreover, here too the foreign companies are to be discriminated against. For securing regularisation of excess production, they will have to make over to non-associated formulators 50 per cent of their total production of bulk drugs and also restrict the value of their formulations to five times the value of their total bulk production. In the case of the Indian, the public sector and the MRTP companies, 30, 40 and 50 per cent respectively of their total production of bulk drugs is to be made over to non-associated formulators subject to the further condition that they restrict their formulations to 10 times the value of their bulk production.

Excess production in any category will be regularised if the company under to export such excess for a period o years from the promulgation of policy. This applies not only to fo firms but also to others, but in the of foreign companies, a suitable ex obligation based on the total sales t over of formulations may also be p cribed.

The import of technology for new drugs by foreign companies will hav be on such terms as may be determ by the government. These companies be required to undertake the transfe technology laterally to public sector u "where national interests justify the ting up of additional capacity". If any in the government believes that this be an incentive for foreign firms to imp drug technology, he ought to have head examined.

The philosophy of controls and restr tions also permeates the new pricing poli which is examined in detail in a sub quent article. Here it may be pointed o that the pricing restrictions reinforce t production regulations so that both co



oine into a formidable apparatus of coer-ion, compulsion and other pressures. All ectors of the industry come under this egimentation, but its impact is particular-y and deliberately heavy and sharp on he foreign sector. Although the pharma-ceutical industry has been under price control for years, it is now being subjected anew to an extraordinarily elaborate regimen of price and profit restrictions.

While the prime objective seems to be to ensure that the units in the foreign sector make as little money as possible, the total effect would be to put a premium on increases in costs and lowering of produc-tivity and profitability throughout the industry. Not only is inter-sectoral com-petition curbed at every point but disincen-tives have been carefully devised for entre-preneurial or managerial efficiency in individual units in every sector. In a highly capital-intensive industry, the achievement of optimal profitability per unit of capital employed is relentlessly suppressed. Every possible means has been adopted for checking or discouraging the generation of internal growth which is admitted to be critically dependent on the large and steady investment of capital in product and process research and develop-ment.

prejudicial to investors

Equally prejudicial to the growth of the industry are the implications of the new drug policy for the investors in this indus-try. There is, for instance, the extreme injustice planned for the existing share-holders of foreign firms which are to be compelled to dilute their foreign equity. The stipulation that the disinvestment of foreign shareholding should, in the main, be in favour of government financial or public sector institutions, the government is depriving existing shareholders of their legitimate entitlement to issues of bonus shares or rights shares. Again, this forced introduction of government financial or public sector institutions into the board rooms of the firms, which are diluting their foreign equity, clearly foreshadows direct or indirect control by the govern-ment of the day-to-day management of these companies. This is obvious since the drug policy, even otherwise, has establish-ed a wide-ranging supervision or regula-tion of the functioning and growth of the pharmaceutical industry.

From the point of view of the foreign sector in the industry, the new drug policy may be seen as a clear attempt on the part of the government to share manage-ment control. From the point of view of the community, here is a move to foist a comprehensive scheme of controls on yet another major industry in spite of the fact that such exercises have already resulted in the devitalization of other major industries, such as cotton textiles, suga and jute. Although the minister's stat ment pays lip-service to the cause of pro moting the availability of medicines o high standards of safety, purity and effec tiveness for the people at reasonabl prices, each and every major decision o the new drug policy actually seems t have been taken with other motives. Un fortunately those who are in the govern ment rarely pay for their or its mistakes the bill almost always goes to the faceles public.

Drugs: pricing and profitability

THE CENTRAL minister for Fertilizers and Chemicals, Mr H. N. Bahuguna, has claimed that the new drug policy would result in at least two healthy develop-ments. First, the prices of medicines would be reduced and second, their avail-ability would improve. To ensure that prices of medicines do not rise, the new policy has frozen the prices of 100 bulk drugs for a year in the first instance; also, all bulk drugs used for price-controlled formulations have been subjected to price control. On top of that, the manufac-turers of drugs have been prescribed ceilings on profitability.

The drug manufacturers argue that price controls in particular would land them in losses resulting in the closure of many units within the next year. This, it is alleged, would cause a reduction in production and consequent shortages of drugs in the market. The multinationals alone may be able, it is stated, to blunt the impact of the new measures by the introduction of new formulations deve-loped by their parent organisations abroad, which would not attract the new regulations for five years.

Before analysing the viewpoints of the government as well as the manufacturers, it is necessary to recount the implications of the pricing policies practised hitherto and their impact on the production or profits of drug companies.

The pharmaceutical industry has had to operate under a statutory price control system since 1962. This is why the index of wholesale prices for medicines has moved up more slowly than the general index of wholesale prices. With base as 1970-71 = 100, the index of wholesale prices for all commodities stood at 185.2 in October last year as against the cor-responding index for drugs and medicines at 135.2. Earlier, between 1962 and 1970 also the pace of rise in wholesale prices for all commodities was much faster than was the case with the wholesale prices of drugs.

It was possible for the government to curb the rise in the prices of medicines because production both in the public and private sectors improved during the past decade. At the same time, there was no unreasonable check on imports. On the contrary, all necessary imports of drugs were permitted. For instance, the total production of medicines in this country was valued at Rs 175 crores in 1966-67 and it multiplied four times to Rs 700 crores in 1976-77. Imports of drugs in 1966-67 were worth Rs 17.4 crores which more than doubled to Rs 37.0 crores in 1976-77. However, the reliance on imports as a percentage of production dropped from 10.0 in 1966-67 to nearly 5.0 per cent in 1976-77 pointing to increasing import substitution.

The government had planned a rate of rise of 15 to 20 per cent a year in the output of drugs during the fifth Plan period with fresh investment ranging between Rs 250 crores and Rs 300 crores. While actual production of medicines

from 1974-75 to 1976-77 rose much faster than the stipulated rate, the investment was however on a much reduced scale. It has been estimated that investment in this industry during the fifth Plan period (till 1977-78) was no more than Rs 60 crores. The fear expressed by the pharmaceutical industry that the impact of this scanty investment would be felt on the output of the industry in the next five years, is not unfounded.

tightened controls

There is no doubt that the new policy has further tightened the controls on the pharmaceutical industry. Besides freezing the prices of 100 basic drugs, instituting price controls on formulations of basic drugs and prescribing ceiling on profitability, it has imposed a series of controls on foreign drug companies which manufacture about half of the total medicines in this country; this may act as a disincentive for further expansion in capacity. For instance, all foreign drug companies currently making low-technology formulations will be required to comply with the Foreign Exchange Regulation Act (FERA) implying the dilution of their equity to 40 per cent. An exception in this regard has been made in the case of only those foreign companies which manufacture drugs needing high technology; such companies will be allowed to dilute their equity capital up to 26 per cent only. While a committee of secretaries will decide as to which companies manufacture drugs requiring high technology, the uncertainty in this regard will restrict the inflow of new investment.

The foreign drug companies have so far been in the vanguard of product development as well as investment. The indigenous companies outside the public sector, with a few exceptions, have limited capacity both for research and investment. The rigours of price and profitability will further reduce investment in this sector, giving a jolt to production in the coming years. The future of the industry therefore is not as rosy as is painted by Mr H.N. Bahuguna. This country seems to be heading towards a period of critical shortages in medicines unless the public sector is able to muster up both technological and financial resources to fill the gap.

Again, the drug companies are usually blamed for excessive profitability which in fact is no more than a myth. The study conducted by the Reserve Bank of India in regard to the financial operations of medium and large companies in the private sector has demonstrated the hollowness of this charge. In 1974-75 and 1975-76, the gross profits of drug companies as a percentage of sales was 12.9 (in each year) whereas the corresponding ratios for all companies were 11.4 and 9.1 respectively. The order of difference between the two sets of figures was too small to be significant. Also, there were at least 11 groups of other industries (see table) which had profitability far superior to that of the drug industry.

It may be stated that the Hathi committee had suggested two sets of rate of return—12 per cent on bulk drugs based on imported technology and 14 per cent on bulk drugs based on indigenous technology. The committee felt that the improved rate of return to domestic companies in this regard would encourage the flow of investment in Research and Development (R&D). The new policy, however, has rejected this categorisation and has evolved a new approach which pr vides a 14 per cent rate of return essential drugs and 12 per cent rat return on non-essential drugs. The gr profits of the individual drug manuf turers are proposed to be regulated b ween eight and 13 per cent of sal according to the size of the enterprise a the extent of basic drugs used. Thus, t new policy puts a ceiling on the rates profitability of the drug units which are f below the prevailing levels. The conclusi is irresistible that the drug companies whether indigenous or foreign—have bee subjected to profitability and pricin constraints which may discourage th growth of their operations.

The Janata government's industria policy is supposed to attract foreig capital in selected areas but it seems tha the government is not keen on encourag ing increased foreign investment in thi industry which, taking into account th needs for medicines in this conutry, is shortsighted policy. Short of take-over the government has imposed so many controls on prices, profitability and investment in the drug industry that i would result in harassing the producer, th distributor and the consumer while the bureaucrat would have a field-day. It is

Profitability in Drug Industry

	Gross Profits as percentage of sales		Profit after tax as percentage of net worth	
	1974-75	1975-76	1974-75	1975-76
Drug companies	12.9	12.9	14.2	13.2
All companies	11.4	9·1	16.3	13.8
Tea plantations	14.6	10·5	16.7	14.0
Coffee plantations	39.3	42·8	16.0	13.6
Rubber plantations	28.0	22.8	10.4	12.7
Silk and rayon textiles	22·8	13.1	20.2	10.3
Breweries and distilleries	17.8	12.0	13.5	8.7
Iron and steel	13.6	6.4	9.1	9.7
Basic industrial chemicals	20.6	17.7	22·5	18.1
Paper and paper products	24.4	19.6	21.6	16.8
Glass and glassware	17·5	3.0	19·8	12.6
Electricity generation and supply	13·0	13.5	8.5	11.3
Shipping	30·8	22·7	29.6	19.5

Net worth = Equity plus reserves

Source: Reserve Bank of India

small comfort that nearly 25 drugs including surgical dressings, mouth washers, sweeteners, sedatives, enzymes, antidepressants, throat lozenges, paints etc have been freed of price control because of the lack of high technology in their manufacture and also due to the already established large capacity in them which should, through sheer competition alone, keep their prices down. It will also safeguard the interests of a large number of small-scale manufacturers who are engaged in the production of some of the items listed in this group.

Leadership role for public sector

THE LEADERSHIP role envisaged for the public sector in the drugs and pharmaceuticals industry should get a big boost as a sequel to the government decisions on the report of the Jaisukhlal Hathi committee which were announced last week. Currently, the three public sector undertakings in this industry—Indian Drugs and Pharmaceuticals Limited, Hindustan Antibiotics Limited and Smith Stanistreet and Company Limited, Calcutta, (which after being taken over by the government under the Industries Act in May, 1972, was nationalised on October 1, 1977)—account for approximately Rs 100 crores out of its total turnover of about Rs 850 crores. The management of the Bengal Chemical and Pharmaceutical Works Limited, Calcutta, too has been taken over by the government in December last, but its output does not change the position materially. Strictly speaking, it need not be taken into consideration in the above computation as this concern is yet to be fully owned by the government.

No doubt, the share of the public sector units in the overall output, as the above figure suggests, continues to be relatively small. But their output of bulk drugs around Rs 48 crores accounts for approximately 33 per cent of the total production of these drugs. The public sector units have gone into the field of formulations only recently, primarily with a view to improving their profitability. Their production in this sphere currently is around Rs 52 crores—just about seven per cent of the total output of formulations.

Fairly ambitious plans are already being implemented by the public sector enterprises to raise their share not only in the overall output of drugs and pharmaceuticals but also in the field of formulations. The IDPL is currently setting up two new projects—one at Muzaffarpur and the other at Gurgaon. The latter is to be purely a formulations unit. It has been decided in principle that this undertaking may put up a number of other drugs producing units, primarily for formulations, as joint ventures in participation with various state governments. Agreements in respect of two such units have been signed. One formulations unit is to be put up at Lucknow with participation from the Pradeshiya Industrial and Investment Corporation of UP and the other at Sangrur for the manufacture of starch, dextrose, etc, in partnership with the Punjab State Industrial Development Corporation. A feasibility report has been submitted for establishing a joint sector formulations plant in Rajasthan. Joint sector proposals in respect of other states are stated to be at various stages of negotiation. With the implementation of these projects, the share of the public sector units, including the joint sector projects, in the overall production will improve substantially during the next five years, by which time the total output in the country is expected to go up to about Rs 2,450 crores—Rs 550 crores worth bulk drugs and Rs 1,900 crores worth formulations.

The above programme having been already drawn up and partly being implemented may suggest that it has no relationship with the last week's governmental decisions. But that will be an erroneous impression. It only reflected the governmental thinking on the Hathi committee's report which had been under consideration for nearly 20 months; in that sense, it foreshadowed the decisio taken last week. In line with the policy providing leadership to the public sec units, the manufacture of as many as bulk drugs has also been exclusiv reserved for them. Their entry has a not been barred into the field of 23 oth bulk drugs reserved for the Indian sect and 66 other such drugs open for pr duction by all sectors. In fact, it envisaged that the list of the bulk dru to be manufactured in the public sect may be expanded after a review in abo a year after watching the development the industry in the light of the last week decisions.

the new decision

The entry of the public sector units in the formulations sphere has been facilita ed (apart from the steps being taken respect of the multiplication of formul tions plants as mentioned above) by th last week's decisions, as they will b treated more or less on a similar footin as the overall Indian sector. The publ sector units will be allowed to produc formulations upto ten times of the valu of their output of bulk drugs; currently this percentage is just around one. O course, they will have to make availabl 40 per cent of their bulk drugs output t non-associated formulators. In this res pect, they will be at a slight disadvantag in comparison with the other Indian pro ducers; the latter will be required t earmark only 30 per cent of their bul drugs production for supply to non associated formulators. But their position vis-a-vis foreign companies will be much better. Under the last week's decisions, the foreign companies will be required t part with 50 per cent of their total pro duction of bulk drugs to the non-associat ed formulators and they can go in for formulations only upto five times the value of their output of bulk drugs.

The above picture, of course, ostensibly may be vitiated slightly as a result of a fairly large number of the current foreign-dominated companies becoming Indian concerns with 60 per cent of their equity passing on to Indian hands—40 per cent to financial institutions and 20 per cent to the employees or the Indian public at

large. They then will be governed by the rules and regulations stipulated for the Indian companies, other than the public sector units, which enjoy a slight advantage over the latter in the form of a lower percentage of their bulk drugs output being made available to the non-associated formulators. But most of the foreign companies which will thus be converted into Indian concerns are not at present engaging themselves in the production of bulk drugs, even in the low technology fields. The foreign companies henceforth will be those in the equity capital of which Indian participation, whether institutional or otherwise, will be less than 60 per cent. They will be allowed to operate under specified conditions only in the high technology areas.

ambitious programme

The leadership role assigned to the public sector units makes it obligatory for them to go in for an ambitious research and development effort. The two premier undertakings in the field, the IDPL and Hindustan Antibiotics, are already performing this task to some extent. As a result, 15 to 20 per cent increase in productivity has been achieved in the case of IDPL's antibiotics unit at Rishikesh in the last few years and some headway has been made in basic research. The Hyderabad unit of IDPL claims to have completed laboratory work in respect of amodiaquin, methyl dopa, sulphemethoxazole, 4.7 dichloroquinoline, glybarclamide and nitrofurnazone and pilot work in regard to diazepam, glybenclamide, trimethoprim and furezolidone. The production of a couple of bulk drugs on commercial scale has also been taken up by the IDPL Hyderabad through its own R & D endeavours. The research and development wing of Hindustan Antibiotics has to its credit the discovery of the enzymatic process for the production of 6-APA from penicillin G. first crystals. This material is an intermediate for ampicillin the expansion of the production of which has been approved by the government. This organisation has also come up with two new antifungal preparations, viz., hamycin and aureefungin; the development work in this connection is in progress.

The expenditure on R & D activities in the public sector units, however, is much less than the envisaged optimum level of five per cent of the turnover. Last year it aggregated to Rs 80 lakhs—slightly over one per cent of the drugs and pharmaceuticals net turnover of IDPL and Hindustan Antibiotics. The main objective of IDPL's R & D activities till now has been stabilisation and updating of the available technologies, solution of day-to-day problems, import substitution and the development of new processes. They have to be strengthened for undertaking the development of new drugs.

The stipulation for the foreign companies having turnover in drugs in excess of Rs 8 crores per annum in the equity of which the Indian participation will be less than 60 per cent, that they will have to put in at least 20 per cent of their net block in R & D facilities and spend at least four per cent of their sales turnover as recurring expenditure on such facilities should provide a fillip to the R & D effort of these companies. But it remains to be seen how many such concerns will refuse to dilute their foreign equity to 40 per cent and thus become Indian concerns. These concerns and also other foreign-dominated units of smaller size will as well have to undertake manufacture of drugs from the basic stage. These two obligations are powerful inducements for the foreign companies to become Indian under the regulations of the Foreign Exchange Regulation Act. As leaders, the public sector units will have, therefore, to shoulder added responsibility in the R & D field to the extent the fore companies convert themselves into Ind concerns. No specific stipulation been made for all the Indian concer going into the R & D sphere in an am tious way, which is warranted at t current stage of development of the dru and pharmaceuticals industry in o country.

Basic research, of course, is proposed be stepped up in the central laboratori and universities also. A cess on indigeno production is contemplated for this pu pose as well as for improving quali standards. The provision that the exploit tion of the fruits of basic research wi not be subjected to price control on pro ducts for a specified period should b helpful in fostering this type of researc effort by the manufacturing units.

Making it obligatory on the part of a manufacturers of bulk drugs to earmar a certain percentage of their outputs o these drugs for supplies to the non-asso ciated formulators should go a long wa in accelerating the development of th small-scale sector. But care has to b taken to see that this sector produce quality formulations. Another helpfu factor in this regard is the proposed regulation of the large-scale units through regularisation of their existing capacities according to certain spelt out norms. The various fiscal concessions announced in the recent past for the development of small units in general should as well go some way in encouraging the multiplica-

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Manager

tion of small units in the drugs and pharmaceuticals industry; so also the progressive replacement of brand names by generic names.

The progress of the drugs and pharmaceuticals industry, following the last week's decisions, will have to be closely watched if shortages, for one reason or the other, are to be obviated. The government should not stand on prestige if the new policy requires modifications in the light of experience.

Drugs for health services

THE GOVERNMENT is the biggest consumer of drugs. Besides the central government hospitals and health services such as the Central Government Health Scheme (CGHS) and Employees State Insurance Scheme (ESI), railways and state medical establishments are bulk purchasers of drugs. Moreover, the defence medical service has a large chain of hospitals and dispensaries which consume drugs in large quantities. The national programmes for the eradication of epidemics or other diseases such as malaria, cholera, tuberculosis, leprosy and sexually communicable diseases also call for large supplies of modern drugs. Then, there are the rural health services which are being administered through primary health centres and sub-centres in various states. Recently, the central government initiated an ambitious programme for the delivery of health care to the rural population.

In the recently announced draft Plan for 1978-83, the health expenditure has been proposed to be raised to Rs 1,330 crores for five years as against Rs 681 crores for the last five years. In fact the government's expenditure on drugs will more than double because the stress in the next five years will be on services which have a higher element of expenditure on drugs, such as the community-based programme of health care and medical services in rural areas. The bulk of the resources available for this programme will be utilised for strengthening the facilities available at the door-step of the people—the taluk hospitals or conversion of primary health centres into rural hospitals. Next in order of priority will be hospitals in medium-sized towns and district headquarters. At the same time there will be no linear expansion of curative services in urban areas based on specialities and super-specialities, except in a few cases where the need for such expansion is justified on principles of need and priority.

Hospitals spend a relatively low percentage of their funds, say, about 15 per cent, on drugs, because the greater part of the money goes for indoor facilities, nursing and diagnostic arrangements which include examination by specialists and use of diagnostic techniques, in which the consumption of drugs is minimal. In the case of dispensary services such as the CGHS and ESI the recurring expenditure on drugs is comparatively high and has been placed roughly at 30 per cent of their total budget. Rural centres and sub-centres report that the proportion of recurring expense on drugs is higher than in the case of the above mentioned services. This can also be said about the national programmes for the eradication of tuberculosis, malaria, leprosy, etc. In these services the cost might be even 40 per cent of the total. The tuberculosis eradication programme is the main consumer of streptopenicillin. Similarly malaria drugs may be consumed to the extent of 75 per cent by the government health programme outlets.

It may be pointed out that the cost of drugs to the government is kept comparatively low through systematic purchases. Tenders are invited to secure medicines at competitive rates as bulk purchasers receive several discounts by the sellers. Similarly, the government has the necessary arrangements for storage of drugs and this facility is being extended because the government proposes to ensure measures for procurement and supply of life saving drugs in adequate quantities required for health care programmes.

The government also proposes to strengthen its drug testing laboratories to control the quality of drugs. For imported medicines, drug control officers various ports of imports assure the quality. Special quality control tests a carried through for biological and speci drugs such as antibiotics, hormones ar sera vaccines which need a thoroug examination before being imported.

Though the government is not the mai buyer of Ayurvedic or Homoeopathi medicines, these are also inspected fo quality and standardisation. Efforts ar made to see that these medicines are manu factured according to the accepted reference mentioned in the Indian Pharmacopoei and other standard works on Ayurvedi and Yunani medicines. Althoug these medicines are not cheaper thar allopathic medicines, they definitely have an advantage in this country because mos rural people have been using these medi cines or the herbs which go to make these medicines over the ages. It is because of this preference that the rural health scheme has left it to the community itself to select their medical worker and it is up to him to decide the medicines to be offered to the local people.

estimated production

It has been estimated that the formulations manufactured by various manufacturers add up to nearly Rs 700 crores every year. If the Ayurvedic, Unani and Homoeopathic medicines produced in the country are taken into account, the total value may be around Rs 1,000 crores, which for a population of 600 million is quite modest. Although the government is buying more than 50 per cent of allopathic drugs, still the use of medicines by the people not making use of government facilities is quite low. In other words, as a nation, we are not particularly drug-conscious and most people tend to allow the body to recover naturally from common ailments such as cough, cold, stomach upsets etc. The per capita consumption of drugs is comparatively low when placed against consumption in the west. However, the use of medicines is spreading with the desire of the urban people to get cured quickly. Simultaneously, the gradual extension of health services in the countryside is likely to change the attitudes of the rural people who do not lay particular stress on speedy recovery through consistent treatment.

CAPITAL'S CORRIDORS

R. C. Ummat

New import-export policy • Fresh approach to railway finances • Gold sales

AKING NOTE of the vast structural chan-es that have taken place in our economy nce independence in general and the ndustrial, technological and foreign trade ectors in particular, the import-export olicy for the current financial year, nnounced by the minister for Commerce, Mr Mohan Dharia, early this week narks a radical departure from the olicy followed hitherto, in the sense that he basic approach has been changed rom regulation of import-export trade o promotional effort. The new policy has been designed to subserve the planning riorities in terms of creation of employ-nent opportunities, expansion of the mall-scale industrial sector and attain-ment of self-reliance. The procedures have been simplified a great deal and decision-making has been decentralised in a subs-antial measure. The policy reflects the many useful suggestions made by the Alexander committee which submitted its report in January this year and also those of the Mantosh Sondhi committee whose report was submitted in December, 1976.

adequate safeguards

In line with the government's industrial policy, the new import-export policy pro-vides adequate safe-guards for the deve-lopment of small-scale, tiny and cottage industries sectors. The items which have been reserved for production in these sec-tors have been generally banned for im-port.

Another major provision that has been made for fostering the above sectors is that the prices charged for the materials supplied to the small, tiny and cottage industrial units by the canalising agencies would hence-forth be equal or less than those payable by large users who can make their purchases from the canalising agencies on the high seas. The import requirements of these sectors will be wholly met through release of free foreign exchange. Local committees will be set up at licensing offices to take decisions on the applications for the import of capital goods up to Rs 10 lakhs.

small industries benefit

All entrepreneurs setting up small-scale industries will be entitled to get import licences up to Rs 3 lakhs. Similarly, the new units which are put up in the back-ward areas by persons belonging to sche-duled castes and tribes or those who are technically qualified will be allowed licences for imports up to Rs 5 lakhs for starting their enterprises.

A special provision has been made to encourage technically qualified Indian nationals returning home to set up indus-trial ventures. The licensing system and procedures for them have been simplified. They will not have to follow the pro-cedure of advertising their requirements. No "indigenous clearance" will also be applicable to their equipment and the first year's raw material requirements for import purposes. All decisions on their applications will be taken within 45 days. Non-resident Indians and other persons of Indian origin abroad will be provided liberal facilities for the purposes of invest-ments in India.

The actual industrial users henceforth will be able to get their full requirements of imported materials for the entire year automatically. They will be required to take out licences only for such items as are restricted for import in the interest of indigenous industry and other social ob-jectives. Imports of iron and steel items will no longer require a separate clearan and exporters will be able to import an of the inputs that are necessary for the export production. A clear distinction ha been made between "components" an "spares" all the way down the polic and procedures in the interest of protect ing indigenous industry.

With a view to imparting competition t indigenous capital goods industry from imports, to bring down to the extent pos sible the capital costs in 14 major indus tries as well as to expedite new units to come up in these industries, the promo-tors will be allowed the choice of buying their equipment on a global basis. They will be required to call for global tenders through the *Indian Trade Journal* for their requirements. A minimum of 60 days will be allowed for this purpose. The competitive offer, both from foreign and Indian suppliers, will be scrutinised by a committee headed by the Secretary in the department of Heavy Industry which will recommend appropriate purchases. Where imports are involved, successful Indian suppliers will, without the need for any further indigenous clearance, be allowed to import the requisite raw materials and components and pay customs duty for these at the same rate as applicable to the equipment concerned.

open general licence

This committee will also review the list of items placed on Open General Licence and recommend additions and deletions thereto every six months in the case of part B items of the OGL list and every year in the case of others. The 14 industries concerned are: fertilizers; newsprint and paper; basic drugs; basic technical materials for pesti-cides and weedicides; power generation, transmission and distribution; mineral exploration, mining and beneficiation; petroleum exploration and production; petrochemicals up to the stage of polymers; professional grade electronic components; waste disposal and effluent treatment pro-jects and ecological engineering; material handling projects at ports; sugar; cement and cement products (including asbestos); and 100 per cent export-oriented projects.

The following are the other highlights of the new policy:

(i) All local authorities, hospitals, edu-

cational institutions, research and development and other such establishments and centres of high learning, farmers' service centres, printers and publishers, etc, have been recognised in the new policy for import purposes to be actual users in the non-industrial category. Recognised hospitals, research and development institutions, universities and other centres of higher education will be allowed full freedom to import their geniune requirements of technical items which are not available indigenously. Individuals doing scientific and research work on their own will be entitled to import such requirements up to Rs 10,000 or even more with a view to encouraging such efforts.

(ii) The list of canalised items for import and export has been redrawn in order to serve the public interest. Of special interest to the small-scale sector is the decision to de-canalise ABS, nylon and polyethylene moulding powders as well as PVC resins and rough ophthalmic blanks. Imports of milk powder and casein also have been decanalised. But these two items have been put on the banned list. Three new items, have been canalised for the purpose of imports. These are: (a) arms and ammunition, (b) liquor, and (c) industrial explosives. They will be imported and distributed through the State Trading Corporation in accordance with the policies of the government. Canalising agencies will be given annual allocations of foreign exchange. They will be allowed to import any of the canalised items in the course of the year, without the need for an import licence on each occasion. A release order will be required for supplies of canalised imports only for the allotment of shoddy wool/woollen rags to a registered exporter.

(iii) In the case of petroleum products, fertilizers and drugs, which are the items imported to meet the overall needs of the country, rather than the individual consumer demand, the concerned state agencies will be given bulk licences and operate them in accordance with the policies of government in that regard.

(iv) The work of issue of licences has been completely decentralised, except for capital goods of value of more than Rs 10 lakhs and in a few other cases. In order to help the industry and trade, it has been decided to have public relations officers in each licensing office to assist and guide the applicant in the scrutiny of his application before it is formally submitted.

(v) For the convenience of the public, it has been decided to disperse the licensing work and administrative functions presently concentrated at centres like Delhi, Bombay and Calcutta. Accordingly, new licensing offices will be opened at Agartala, Chandigarh, Cuttack, Gauhati, Jaipur and Patna. The offices of CCI & E at Bangalore, Ahmedabad, Hyderabad and Kanpur will be raised to the level of Joint Chief Controllers. All licensing offices will attend to export promotional functions as well. The current licensing offices at Rajkot, Visakhapatnam and Pondicherry will perform export promotional functions. During the year such export promotional offices are proposed to be opened in all the cities with a population of 10 lakhs or more.

(vi) As part of export promotion efforts, industrial units which have exported at least half of their production in 1977-78 will, in order to meet their further export orders, get supplementary licences to the extent of one half of their automatic licences without going to the sponsoring authority.

(vii) Government policies have recently provided more ample opportunities for building up exports of gems and jewellery. Likewise, the facilities provided in the new policy for direct imports by registered exporters of rough diamonds, raw silk, stainless steel, rough blanks, electronic components, etc, will further diver our exports and provide increased e loyment opportunities, particularly in decentralised sector.

(viii) The system of issue of adva licences has been recast to enable exp ters to execute contracts in time. Her forth, such licences will be first issued regional licensing authorities, on request of the exporters, and the duty emption particulars will be decided se rately under the customs procedu Materials supplied by canalising agenc have also been brought into the scope this scheme.

(ix) The scheme of cash compensato support to exporters for different expo products will continue in 1978-79, subje to certain changes as announced. T position will be reviewed during the ye for the longer range point of view.

(x) The role and the functioning of e port houses has been re-oriented. With view to encouraging exports of smal scale, tiny and cottage sectors, expo houses will get relatively larger addition licences on the basis of the exports o products from these sectors.

Several procedural simplifications hav been introduced under the new policy These include the abolition of the syster of:

(i) Seeking letters of authority for th purpose of using agents for importing licensed items;

(ii) getting the port of registration en dorsed on import licences;

(iii) the need for replacement licences

Eastern Economist 30 Years Ago

APRIL 9, 1948

Prohibition has been extended to the two districts of Cawnpore and Unao since April 1, 1948. Speaking on the subject, on some mysterious basis, the Premier calculated that prohibition will mean a saving of Rs 1-1/2 crores per annum to the people of Cawnpore. If this figure has been arrived at by calculating the sale of liquors in Cawnpore in the past the entire amount cannot in any case be 'saved' by the people. Prohibition cannot be enforced merely by preaching it or by stopping the public sale of intoxicants. The causes which lead to the drink habit will have to be removed before success can be expected in this direction. Otherwise the only result of such a scheme would be to encourage smuggling and people will resort to more harmful forms of intoxication. In the process the Government will lose the excise revenue from this source. In Cawnpore alone the loss will be Rs 62 lakhs. A feeling is gathering weight in the province that this scheme of prohibition is only one of the more spectacular but less practicable parts of the Congress programme and the rapidity with which this scheme is being introduced in the U.P. is bound to defeat its own purpose.

getting goods damaged, lost in transit otherwise made good by the supplier;

(iv) issuing release orders for all canaed items except shoddy wool;

(v) making the REP licences transferle only by endorsement;

(vi) attaching lists of items for import the automatic licences granted to industal users;

(vii) insisting upon shipping documents r admitting import replenishment aims, in addition to a bank certificate;

(viii) insisting upon a bank certificate—ther than the certificate of the concerned roject authority—for admitting REP enefits in the case of IBRD/IDA assisted rojects in India, and, lastly;

(ix) free licensing and its replacement y a system of Open General Licence ubject to specified conditions.

export policy

So far as export policy is concerned, ontrol on exports will continue to opeate in respect of a limited number of commodities, The principles in vogue in his regard already provide that such tems as are essential to domestic economy will be restricted (or banned) for export. Most of the items permitted for export would continue to be on Open General Licence. No export licences will be required in such cases. Customs will allow their export subject to the prescribed procedures and conditions. Exports of Kuth, goat hair patties, knitwear (woollen and mixed), barytes, footwear and ERW pipes have been decanalised. In the case of footwear, exports will in future be allowed subject to the minimum export price obligations prescribed for particular varieties. The procedure applicable to export of commodities within a limited ceiling, on "first-come-first-serve basis" has been recast. This has been done primarily to assist outstation parties to participate in their export trade and still have sufficient time to arrange their shipment through convenient ports. Hence the earlier practice of endorsing shipping documents directly in such cases, has been replaced by a system of grant of export licences on the basis of which shipping documents can be presented to the Customs directly at the ports. Also such export licences will be issued against firm offers of purchase from overseas buyers, subject, however, to the grant of the requisite licence to the Indian exporters.

With a view to imparting stability to the trade policies and procedures over a long period a committee under the chairmanship of the Secretary (Technical Development) has been set up to entertain suggestions and representations on the issue during the next three months. In the light of the recommendations of this committee, the necessary modifications would be made in the import-export policy. The policy announced this week for one year might be extended for a longer duration.

As official committee under the chairmanship of the Secretary (Industrial Development) has been set up for comprehensive review of the import policy regarding man-made fibres and filament yarns. The new policy in this regard will be announced after the receipt of the report of this committee.

In line with the new approach to imports and exports, the designation of the Chief Controller of Imports and Exports has been changed as Director-General of Foreign Trade.

* *

The deputy chairman of the Planning Commission, Prof D.T. Lakdawala, as well as the minister for Finance, Mr H. M. Patel, are understood to have favourably reacted to considering the plea of the minister for Railways, Prof Madhu Dandavate, for a new approach towards railway finances. In view of the need for opening up backward areas in the country for railway traffic, which will go a long way in fostering the economy of these areas, Prof Dandavate has suggested that the railways should be allowed to utilise part of the surpluses that have started accruing to them during the last two years for laying new lines in the backward areas, instead of utilising them for liquidating their indebtedness to the general revenues. The debts which the railways have incurred to the central exchequer as a result of the deficits they faced since the mid-sixties till two years ago, it has been proposed, should be converted into their capital-at-charge on which they would pay six per cent dividend as on their present capital-at-charge. These debts currently aggregate to Rs 368 crores and it is feared that even if the entire surpluses of railways are utilised for liquidating them, it will take at least a decade to wipe them off. Consequently, the railways will have to depend for the development programmes to a great extent on the central budgetary allocations.

plus point

A significant plus point in favour of Prof Dandavate's proposal is that if the accumulated indebtedness of the railways is converted into their capital-at-charge and part of the surpluses in the railway budget are henceforward utilised for development purposes, it will curtail the liability of the railways on account of dividend disbursements to the central exchequer. The railways will not be required to increase their capital-at-charge to the full extent of its developmental expenditure, which will be contained to the extent internal resources are utilised.

The use of the surpluses of the railways for laying new lines in the backward areas will also facilitate taking up of this developmental activity in a larger measure, as the present criteria for laying such lines are quite stringent. The Railway minister's proposal will impart some flexibility into this development programme, besides providing an incentive to the railways to generate greater surpluses. The issue, however, is expected to be resolved finally only after a committee set up recently to go into the financial structure of the railways reports in the near future.

* *

The price of gold in the Indian market can be expected to suffer a renewed setback with the proposed sales of government-held non-monetary gold. The price went down significantly—by Rs 40/45 per 10 grams—following the announcement by the Finance minister in his budget speech on the sale of government gold. But it has rebounded approximately to the pre-budget level in the absence of gold sales so far. The government, it is understood, will be in the market by the end of this month. It could not do so earlier because detailed arrangements had to be made for the sales. The programme, it is learnt, has now been finalised.

Appropriate technology in developing countries

Dr D. Dutta Majumder

The choice of appropriate technology does not mean to fall back on primitive methods. The technology which the author, who is professor and head of the Electronics and Communication Sciences unit of the Indian Statistical Institute, contemplates should be low-cost, capable of local application, ensure optimum utilisation of material and human resources, labour intensive and capable of being transmitted to the rural population.

FOR ECONOMIC development one important historical rule is the continued increase in the productive capacity of man and society with the expanding application of science and technology in agriculture, industry, services and other spheres of the economy. The effects of science depend on its use, and are determinate only to the extent that content predetermines use. Technology in another matter. Technology is science plus purpose. Science and technology are both option generating processes; it is only the application of technology that is option choosing. So, apart from some of the factors I shall indicate subsequently, the choice of technology or the technology assessment, as it is termed now-a-days, is of primary importance for economic development and planning consistent with the constraints of resources position, ideological frameworks and environment.

The second important historical rule of course is the universal acceptance of hard work and dignity of labour.

economic factor

The third factor of importance is the economic factor commonly known as self-sustained capital formation, but in my view capital formation is also not possible without continued development of production techinques with newer and newer innovations.

The fourth factor, which may be looked upon as the root of the above three factors is the environmental factor, which I hope to deal within a later section in somewhat more detail while advancing the arguments for appropriate technology.

The fifth factor of importance for a balanced growth is the resource allocation after a judicions choice between economic and non-economic principles. To mention a few: (a) while declaring amenities for labour more expensive than productivity justifies, the sources of expenditure and its aftereffect should be enquired into and made known to the public; or while building a high cost factory to make the country powerful today, it should be properly assessed whether the country will be weaker in the long run.

A view is taking shape in advanced countries and also in the developing countries, though in a minority, that the people

POINT OF VIEW

in the industrialised nations had become enslaved and addicted to a high-cost technology, which by ensuring material comforts, covered up the more deeper social, psychological and political shortcomings of the modern society, and that the developing countries are also moving towards some capital intensive technology. Arguments are often put forward that contemporary technology promotes economic growth, so that the GNP becomes larger and every one's slice of the economic cake gets bigger. This is often used as an excuse for not cutting that cake in a more equitable manner.

The other very powerful argument against contemporary technology is that it is universally regarded as polluting. The existing responses to the abo arguments are manifold. Some people a of the view that this is the price we ha to pay for advancement and is toleral in terms of cost-benefit analysis. So others are of the view that the effects pollution and other vagaries of large sca industrialisation will have to be correct and controlled(which in itself is anoth high-cost technology). The third respon is that we should learn to live witho technology. And the fourth response wi which I largely agree is to be in searc of an alternative appropriate technology

no fault of technology

I wish to advance the argument that th technology itself is not at fault—as with out that the productive capacity of ma and society cannot be increased and pro duction relations cannot be meaningfull altered. Not all forms of technology ar intrinsically polluting and capital inten sive. New forms of technology can and should be devised to remedy the deterio rating situation. As for example, instead of burning fossil or nuclear fuels, with their particulate and thermal pollution, we have to develop technologies such as the use of solar and wind power which are intrinsically non-polluting, non-capital intensive and non-centralised.

At this point I shall mention a single statistic to compare the labour-intensive and capital-intensive technology. Whereas in the former economy it takes about the equivalent of six months' salary to buy the equipment needed to provide work for one man, in the latter type the equivalent figure is 350 months' (29 yrs.) salary. So whatever ideology we may adopt, and however large the international aid we may receive, providing jobs to the people to be well-fed and well-clad and to increase production in the developing countries by using contemporary technology only is a very, very expensive business.

Another point that is to be noted about

ntemporary technology is the require-ent of highly trained specialist elite. rdinary people cannot control their own nvironment—as these are based on ighly centralised services. People become ompletely dependent on existing system, hich being highly centralised are prone o accidents and sabotages. Centralised echnology system needs centralised nergy supply system such as thermal, ydel or nuclear. Whereas diffuse energy ources, such as solar and wind power is ifficult to centralise and technology ased upon such energy sources can be lecentralised and so is less prone to ccidents and sabotage.

One more criticism of contemporary echnology is that the rate of utilization of natural resources such as mineral and fossil fuel is much faster than they are created by natural process—the resources that took billions of years to accumulate are being used up in a few centuries, lead-ing towards an insurmountable crisis of civilizations.

Let us take the case of energy expendi-ture in agriculture. In a highly developed agricultural farm in the USA and the USSR energy products consumed by farm machinery in terms of calorific value are much more than the calories liberated by eating the food. Whereas in a non-mechanised agricultural farm, every calory of energy used in farming produces the equivalent of about 15 calories of food.

crucial point

Another crucial point in the choice of technology is that, built into it one can find the values and ideals of the society that invented it. So we should know that with the contemporary technology we may be importing a whole system of values, which includes a certain attitude towards nature, society, man and family. The tilting of the synthesis however will take place depending on the programme of implementation. Here the subject 'Techno-logy Assessment' (TA) comes into the picture; which I hope to deal with in a separate article.

Because of the criticisms mentioned above we are not to fall back on primitive methods. The approach of the appropriate technology that I wish to advance is that, it should take the above criticisms serious-ly into account and devise ways to apply the scientific knowledge acquired over the past four centuries, including the 1st and 2nd Industrial Revolution, and improve upon the productive capacity of man and society.

To cite the example of energy again, in the primitive technology context, space heating is achieved by an open wood fire (woods are scarce) and in the context of the contemporary technology as fossil fuels are being burnt up at a higher rate than their formation, we have to fall back on nuclear breeder reactors with associat-ed pollution and other dangers. Whereas in the appropriate or alternative techno-logy it may be small electricity generating windmill, or an electronically operated semiconductor solar beating system, or even a well-designed stove with gobar gas or timber as fuel, that optimises useful heat output against the need for fuel—provided the overall rate of use is lower than the natural accumulation of gobar (cowdung) or timber in that area.

alternative technology

An alternative appropriate technology policy for energy crisis should recognise: (a) that there is a ceiling to the amount of energy we can use, (b) an intensive effort should be made to use energy sources that are supplied to earth in real-time such as hydro-electric, geothermal, tidal, solar, wind power and timber.

Second, I cite the example of sewage disposal. The disposal of sewage is an important area in both urban and rural areas where an alternative appropriate technology will introduce a radical change in the economic outlook, planning and operational set-up. In our contemporary technology expensive sewage installations are needed, together with large volumes of scarce and purified water, to sweep our sewage into processing units, which then discharge effluent into rivers and seas causing pollution on the one hand and agricultural depletion, from the overall system point of view, on the other, as sewage contains very important organic materials. In the appropriate alternative technology, a rational recycling scheme has to be envisaged to return our sewage to the land and society where it belongs in a radically transformed usable variety —wherever possible at the family or com-munity level—if not with a centralise scheme. The precious purified water ca be used for other purposes. As a example, I may cite a device available i the market in Scandinavia that compost family kitchen scraps and sewage (with out needing any water) and turns it in about one year's time to a rich odourless fertilizer which can be applied directly to the garden.

decentralised techniques

These alternative technologies in energy and sewage disposal recycling are rela-tively better in terms of use of resources, capital cost and pollution than contem-porary technology. These are essentially decentralised techniques, their principles can be understood and operated by the common man, and they cannot be misus-ed. It is difficult to conceive of a solar bomb carried by a wind powered missile system.

It must be remembered that the alter-native small-scale and medium scale technologies have their limitations and they should also be assessed properly. And there are many areas of defence and development where large-scale industries are essential and sacrifices will have to be made today to ensure a better life in future.

Before I conclude I would like to men-tion one successful Indian experiment on appropriate technology that I have come across.

It is now agreed that in the integrated rural development programme the selec-tion of appropriate technology is of the utmost importance. This technology has to be low-cost, capable of local applica-tion, ensure optimum utilization of material and human resources, be labour intensive, be capable of being transmitted to and understood by the rural popula-tion and the productivity level has to be such that it ensures the workers an income which will lift the family above the poverty line.

An Indian experiment as an example which fulfils some of the above criteria is the programme of cattle, pasture and dairy development through crossbreeding,

conducted by Bhartiya Agro-Industries Foundation at Uruli, near Pune, in Maharashtra with the support from the state government and some other voluntary institutions. This is a low cost, viable total technology understood by villagers increasing the productivity of individual and the society, mostly weaker sections, with application of modern science.

It involves the rational use of some land, water and cows of the small and marginal farmers with a self-employed stable family income throughout the year. A cross-bred cow born and brought up under this programme can give a minimum of 2,500 litres of milk per lactation in 305 days. As a result of this programme protein rich milk and milk products are made available to the undernourished families, and biogas as energy for lighting and raw material for several rural industries such as manufacture of dairy products, tanning of cowhides, making of leather goods and preparation of bone meal. Even a landless family in the area can maintain three cross-bred cows, with a net income of Rs 3000 a year. The family can do other jobs during the cropping and sowing seaso

It should be noted that such a pr gramme is totally dependent for success on the provision of adequa infrastructure which has been done in th case by the concerned state governmer The infrastructure includes the constru tion of roads connecting the milk centr with the marketing and consumer centre provision of land on lease for the grow of fodder and the establishment schools, hospitals and markets to cat for the requirements of the population the area.

Structural retrogression in the economy

How various policy actions and inactions since the mid-sixties have created serious structural retrogression in the Indian economy and how they have inflicted considerable damage to the developmental processes are highlighted in a research study by Dr S.L. Shetty of the National Institute of Bank Management. The major findings of the study are summarised here.

BOTH IN comparison with the overall economic performance during the first fifteen years of planning as well as by certain absolute standards, the performance of the Indian economy since the mid-'sixties has been very unsatisfactory. In a 250-page study containing 53 statistical tables, Dr S.L. Shetty of the National Institute of Bank Management has attempted to analyse the relative performance of this period in its totality and to pinpoint the causes of its poor performance. The study cites a series of quantitative indicators in support of what it calls 'neglect and drift in economic management and planning', but argues that even all of those indicators put together "would not probably be sufficient to bring out the enormity of qualitative damage done in terms of weakening the instruments and institutions of economic planning in the country". There is some degree of irreversibility about many elements of those distortions under the present socio-economic set-up. Many of the favourable indicators of good economic performance have been more apparent than real; many of them have been adventitious; some of them like higher exports in fact reflect the domestic economic malaise; and more importantly, "all of them hide the continued and systematic retrogression in the structural characteristics of the economy which has not only undermined somewhat the achievements made in the earlier decade and a half but also wound the clock of progress backward by a sizeable time span". The emergence of apparent surpluses of foodgrains and foreign exchange reserves on a sizeable scale in the midst of rising malnutrition, poverty and unemployment on the one hand and persistent sluggishness in domestic investment on the other, reflect the absence of sustained developmental efforts. The spectacle witnessed in 1976-77 of aggregate domestic investment (estimated at 14.0 per cent of NNP at current market prices) failing to absorb even the meagre level of domestic saving (16.0 per cent of NNP) represents, curiously enough, the final culmination of the structural retardation which began about a decade ago.

The study does not prescribe any specific policy package but claims that "the entire analysis made and the theme presented is self-explanatory insofar as the path the policy-makers have to tread, if any progress is to be achieved in regard to the avowed objective of elimination of destitution, poverty and unemployment in the country".

First, there was a better degree of steadiness in the annual growth rates during the first 15 years of planning tha in the subsequent decade. In the earlie period, the compound (annual) growt rate of national income at 1960-61 price had increased from 3.7 per cent in th first Plan (1951-52 to 1955-56) to 4.1 pe cent in the second Plan (1956-57 t 1960-61) and further to 4.6 per cent in th first four years of the third Plan (1961-6 to 1964-65). This consistent acceleratio was absent thereafter even when th interregnums of 1965-66 and 1966-67 ar excluded from the measurement.

lopsided growth

Second, whenever the individua years of the latter period have experienced significant growth rates in real national income, the increases have almost invariably been attributable to bumper agricultural crops, while the contribution of the registered manufacturing sector has been considerably lower. The benefits of improved agricultural output have not percolated to the economy either by sustaining a high industrial growth rate or in improving saving and investment or resulting in relative price stability. Also, the overall growth rate of production as well as per hectare productivity have failed to get accelerated over the level achieved in the fifteen years prior to 1965-66 despite the Green Revolution. Deceleration in the growth rate of agricultural output appears more glaring when it is related to the growth of population.

One of the most disappointing aspects of the performance of the Indian economy since the mid-sixties relates to the decele-

tion in the growth of output in organised dustry, accompained by sluggish investent, vast under-utilisation of capacity d meagre increase in employment in dustry. The compound (annual) growth te, which had increased from 5.8 per nt in the first Plan to 7.2 per cent in e second Plan and further to 9.0 per nt in the third Plan, declined to 4.3 per nt during the next eleven-year period 966 to 1976). Excluding the 10.6 per nt increase in 1976, the average growth te works out to only 3.7 per cent. The rowth rate has been particularly depressg in the capital goods industries.

Third, the growth rate in the non-ommodity segment of the national pro-uct has been higher than that in the out-ut of the commodity producing sectors. n particular, there has been a phenome-al step up in the growth rate in incomes at 1960-61 prices) originating in 'public dministration and defence' and 'banking nd insurance', particularly the former. While income originating in public dministration and defence increased by 03 per cent, that originating in the ommodity-producing sectors rose by 41 per cent.

lower growth per capita

The per capita real income has certainly grown at a lower rate during the past one decade than in the first fourteen years, the compound (annual) rates being 1.8 per cent and 2.4 per cent, respectively. Also, there has been a steady and significant increase in per capita income at 1960-61 prices from 1.8 per cent in the first Plan to 2.1 per cent in the second Plan and further to 2.4 per cent in the first four years of the third Plan. But no such steady trend is discernible in the subsequent years and, if anything, the growth rate in per capita income has deteriorated over this period.

Not only has there been lower growth in per capita terms, but there has also been a perceptible structural deterioration. The share of 'secondary' sector in net domestic product (1960-61 prices), which was continuously rising earlier, remained stagnant or declined somewhat. In other words, despite the creation of sizeable quantum of capacities in a wide spectrum of organised industry during the second and third Plan periods, the structure of output has moved against the 'secondary' sector and a substantial part of the capacity created therein has remained unutilised. This in turn has been due to the diversion to non-productive purposes of a significant proportion of resources mobilised in the name of development and elimination of poverty.

declining domestic saving

Because of misallocation of resources, the share of national product earmarked for domestic saving and investment declined for quite some years and made only marginal improvement in recent years. Following the disquieting performance of the public sector in this respect, the private sector failed to get the necessary impetus to investment and hence performed miserably. Even so, the investible funds made available from the public term-financing institutions at relatively cheaper cost has induced the private corporate sector in particular to substitute on a rising scale loan capital for equity (and for personal stake), resulting in an acute absence of cost-consciousness.

An atmosphere of permissiveness in the deployment of industrial control mechanisms instituted earlier to direct investment according to Plan priorities has tended to distort investment and production structures in the country. Following significantly higher capital intensity even in the meagre investment activity of the recent period, employment growth has been still more meagre. Concurrently, the high rate of inflation of recent years has helped to shift at a faster rate real incomes in favour of rich farmers, petty businessmen, traders and merchants, industrial manufacturers, and the non-fixed income professionals like doctors, lawyers and chartered accountants. Inflation was ingrained in the system of concentration of economic power and vast inequalities. In the agricultural sector, the benefits of increased output have not been allowed to percolate to the economy as a whole in terms of reduced prices because of the disproportionate increase in procurement prices which has further strengthened the holding power of the rich farmers. One of the fallout effects of the new farm strategy has been an increased inequality at the sectoral and household levels in rural areas.

All of these put together have helped to sustain a blatantly elite-oriented production structure. In sum, the period since the mid-sixties is characterised by serious distortions in investment and production structures, a sharp increase in income and assets inequalities, and unemployment reaching critical proportions, and the poor generally becoming poorer. The most damaging aspects of developments in the latter period are a steady decline in the per capita domestic availabilities of key wage goods and the likely bulging of the number of people below the poverty line to a sizeable extent.

structural retardation

Within the industrial sector, structural retardation has taken place at two stages : First, the growth of basic and capital goods industries has been slower than in the past and also slower than even the meagre average growth in industrial output; and second, where growth has been moderately higher, a majority of the industries belonged either directly or indirectly, to elite-oriented consumption goods sectors. Output of industries catering for the requirements of mass consumption like cotton textiles has limped up only marginally. Even within the cotton textiles output, the share of coarser varieties of cloth has declined rather drastically. Interestingly, the same phenomenon of the movement of output against the consumption needs of the poor is noticed in the agricultural sector also. For instance, output of coarse cereals and pulses has suffered the most during this period.

In addition to the distortions in production structure, the new agricultural development in the past decade or so has created almost unmistakably three types of imbalances which have begun to hinder the growth process : (i) Accentuation of disparity in economic well-being between regions and within regions, between irrigated and non-irrigated areas; (ii) further widening of gross inequality in the distribution of incomes and wealth among households within two farm sectors; and (iii) gradual extension of farm mechanisation resulting in reduced employment per unit of output particularly in those areas

which have appropriated the bulk of the gains from recent agricultural development. The governmental measures like asset-based credit lendings, high support prices for surplus farmers, subsidised inputs and above all refusal to implement any worthwhile progressive system of taxation have all per force brought about a shift in assets in favour of the richer segments of the farm community. Added to this, there are vast losses incurred in irrigation and power projects amounting to subsidisation of farmers who also benefit sizeably from public investments.

Concurrently with the all-pervasive structural retrogression—distortions in production structure, increased inter-regional and inter-class inequalities in the distribution of assets and incomes, and growing unemployment—and partly following from it, the phenomenon of poverty and malnutrition also seem to have got considerably accentuated during this period.

rich get richer

With the pursuit of policies which have obviously tilted the gains of development in favour of the rich, an attempt has been made during the past decade or so to offer isolated solutions to the problems of poverty among the weaker sections—small marginal farmers, agricultural labourers, and others—, isolated from the overall developmental programmes, which failed to make any impact on the deteriorating poverty and unemployment situation in the country. They could not because those programmes were not integrated with the overall developmental programmes which themselves were on a low key.

The period since the mid-sixties has seen a steady decline or stagnation in the overall per caput availabilities, large increases in the prices of wage goods, and very negligible employment growth, so much so that the 'poverty' levels have deteriorated. Per capita net availability of cereals and pulses has declined. Cotton cloth is yet another commodity in which the per caput availability has steadily declined since the peak reached in 1964-65. Per capita availability of milk, of edible oils and vanaspati, and of sugar, *gur* and *khandsari* fluctuated since the mid-sixties and also by and large remained stagnant.

The sluggish performance of the domestic economy in terms of poor investment and employment generation has anywhere between tripled and quadrupled the number of unemployed in a period of ten years—from about 10 million in 1966 to a range of 28 million or 38 million in 1976. With the average household size being inversely related to income (or expenditure), there would be a larger number of persons to share the income at lower levels; also, their bargaining strength in the economic system being limited, the employed poor have to face the incidence of unemployment of their kith and kin for longer periods.

growing unemployment

The deleterious effects of growing unemployment on the levels of living of lower income groups get compounded in a situation of acute inflation. The inflation rate during the past eleven years has been phenomenally higher than that in the first fifteen years of planning: 8.7 per cent per annum (compound rate), against 2.9 per cent. Along with this the tendency of faster increases in the prices of commodities entering the consumption basket of the poor has also continued even as their employment opportunities dwindled. Even in organised industry where there is some semblance of bargaining power for labour at least in some pockets, the real earnings of workers have tended to decline during the recent period.

This scenario of consistent structural deterioration since the mid-sixties was primarily the result of a series of policy actions and inactions, including the downgrading of the planning process; this was reflected in many policy controlled variables and manifested in significant distortions in the functioning of the economy. Saving and investment efforts particularly in the public sector were curtailed, the public sector plan outlays were slashed initially and thereafter their growth arrested rather drastically, funds for the maintenance of past plan projects were not allocated adequately, resource mobilisation efforts were both inadequate and inequitous, deficit financing was resorted to indiscriminately, and finally, a significant proportion of the total public outlays was frittered away in non-development expenditure in the form of higher subsidies of various sorts from the national exchequer transfer to the state governments on such pretexts as drought reliefs, and in many other forms. Simultaneously, the rigour of industrial controls—prices and distribution controls, industrial licensing, capital issue controls, etc.—were drastically reduced, giving rise to many distortions in the production and investment pattern in the private sector.

lower net investment

Both net domestic savings and net domestic capital formation steadily rose over the first three Plan periods, particularly during the second and third Plan periods when the total investment at 1960-61 prices increased at the (simple) average rate of 12.6 per cent per annum. The investment programmes of the third Plan had their spill-over effects in 1966-67 when investment both at current and constant prices reached its unprecedented level (though partly in the form of higher inventories). Thereafter, almost for five years from 1967-68 to 1971-72, the absolute level of net investment in real terms was lower than that in 1966-67. For the nine-year period from 1966-67 to 1975-76, the average growth rate in real investment worked out to 3.1 per cent per annum against 12.6 per cent in the preceding decade (i.e., second and third Plan periods together).

In other words, the major source of strength the economy derived during the eleven-year period from 1955-56 to 1966-67 was from the average growth of over 12 per cent per annum in fixed assets formation. By the same logic, the major factor responsible for the ills of the national economy during the subsequent decade is the failure to achieve any commensurate increase in fixed assets formation; the actual increase during this decade worked out to a little over two per cent per annum, as compared with over 12 per cent during the preceding decade. Even in the first Plan, the increase had averaged about seven per cent per annum. Even in 1976-77, the ratio of domestic investment at 14.0 per cent of NNP at market prices was lower than that achieved a

ecade ago. A good part of the domestic vings in recent years have been absorbed higher inventories of goods and foreign change rather than in physical assets rmation.

The most damaging aspect of the performance of the past decade has been the ery meagre growth in investment (and utput) in mass consumption goods industies. This is equally true of the overall echniques of production, namely, that if nything, within the manufacturing sector, a large chunk of investment has been bsorbed by capital-intensive industries, iving rise to smaller employment absorption. Also, in other industries, capital ntensity has certainly got deepened over his period, as is evident from negligible growth in employment in private sector ndustries despite some increases in fixed ssets formation. There is, in other words, n obvious link between reduced investment expansion, reduced employment content of whatever investment that has aken place and niggardly industrial employment growth of the past decade. In any case, it is not admissible to argue that the recent sluggishness in investment is even remotely attributable to smaller investment requirements following any shifts in investment strategy.

public sector performance

This whole subject of poor saving and investment during this period is inexorably linked up with the performance of the public sector which was expected to play an increasing role in the planning programme but failed to do so. The share of public sector saving in total net domestic saving, which was at a level of 30.2 per cent in 1964-65 and 23.1 per cent in 1965-66, ranged from 12.0 to 17.0 per cent thereafter for about eight years up to 1973-74. The rising share of income in favour of the public sector accompanied by a declining share of its saving both in relation to its own income and in relation to the total domestic saving is at the heart of the deep malaise into which the national economy has been pushed during the past decade or so. Behind this phenomenon lies the most glaring financial profligacy and indiscipline. The crux of this theme is that, even as the public sector obtained higher and higher amounts of domestic resources through taxation, through market borrowings and through resorting to deficit spending for the apparent purposes of development and defence, it spent smaller and smaller proportions of the total outlays in favour of development and defence or in favour of productive investment.

erosion of resources

In the management of government finance, there has occurred during the past decade a systematic erosion of resources in the form of non-development expenditure, resulting in a lower proportion of development expenditure in total expenditure of the government sector or even in relation to NNP at current market prices. These proportions had been maintained at high levels during the first three Plan periods (despite some set-back following a jump in defence expenditure in the years 1962-64), but thereafter they consistently remained below the earlier peak level except in 1972-73. Having achieved a substantial developmental base, there should have been economies of scale in the matters of non-development expenditure, bringing about a gradual reduction in the proportion of non-development expenditure in total expenditure. The second aspect that strikes is that, during the same period when development expenditure generally failed to catch up with its role, resource mobilisation—tax, non-tax and deficit financing together—has surpassed the past high levels now for many years.

This has happened because there has been a significant diversion of public funds into unproductive channels. Two examples which have by now come to be recognised as symbols of resource diversions at the central level and which have seriously cut into development outlays are : (i) A striking increase in subsidies from Rs 94 crores in 1970-71 to Rs 966.0 crores in 1976-77; and (ii) enormous transfers to state governments in the form of relief against natural calamities expenditure, assistance for clearing unauthorised overdrafts with the Reserve Bank of India, etc., during the years from 1967-68 to 1973-74.

The declining trend of investment in the public sector since the mid-sixties has had its reverberating effects on private sector output, employment and investment among these parameters, the worst to get affected has been the private sector employment and not investment. A preponderant part of the investible funds deployed by the private manufacturing sector during this period has been provided by the public financial institutions mainly as loans but partly as invesment in shares and debentures, and the funds so provided appear to have been disproportionate to the investment requirements of the private sector; they were certainly disproportionate to the niggardly growth in private industrial employment. Despite such enormous funds extended to the private sector, there has hardly been any worthwhile impact on the investment climate generally and on the employment growth in particular because the funds have been in part inappropriately utilized by preferring more capital-intensive projects and in part siphoned off through the *modus operandi* of inflated project costs and cost over-runs reportedly indulged in by the project promoters in an atmosphere of governmental laxity, financial indiscipline both in government and private sectors; and liberal availability of public funds at relatively cheap cost.

disquieting trends

An objective reading of the situation would present the following disquieting trends. Despite collossal public sector lendings since the mid-sixties, there has hardly been any significant impact on industrial investment, output and employment; this is distinctly so with regard to employment growth in the private industrial sector (which includes employment even in very small factories).

The easy availability of such funds on a massive scale has been at least partly responsible for the galloping project costs for, otherwise, in a situation of recession and sluggish investment demand when the supplies of key investment goods have been easy, there should have been no reason for such multiplication of project costs. The argument that rising wage costs have been responsible for pushing up prices of investment goods could be only partly true because in every one of the basic and capital goods industries, cost

of total remuneration to employees (including those to non-worker employees) has been as low as 16 per cent or less.

The above analysis brings home a crucial issue that mere pumping in of large financial resources without a sound policy direction regarding their appropriate end-use and deployment may turn out to be counter-productive. This vacuum in policy direction emerged precisely since the mid-sixties. Following the strains and stresses experienced by the economy due to droughts of 1965 and 1966, a view was canvassed rather successfully, that industrial controls were inhibiting production and growth and that, therefore, the controls had to be relaxed.

But it was not realised that, as mere additional funds could not achieve higher investment and growth, the relaxation of industrial controls would also fail to do the trick. Any laxity in the scheme of governmental discipline and regulations on the private sector would further accentuate distortions in the economy.

One of the most crucial relaxations gradually and systematically carried out since the mid-sixties that has generated an atmosphere of total government laxity and created a degree of permissiveness for the business community in the country relates to relaxations in industrial licensing policy.

The damage done by them to the process of industrial development since the mid-sixties could be summed up thus:

The building up of illegal capacity and their subsequent regularisation have become a regular feature of the industrial scene;

The scope for diversification and expansion have created such vast possibilities for the creation of additional capacities that the whole system of licensing has been reduced to a farce;

Investment propositions are almost entirely left to be decided by private entrepreneurs without considering the appropriate priorities, which has accentuated distortions in capacities built in different industries;

Output and investment structures have moved against mass consumption goods;

The unmitigated scope for diversification and expansion as well as the tendency to building unauthorised capacities have inflicted incalculable harm to the investment climate, particularly because of uncertainty arising from the lack of knowledge about the existing and prospective capacities in individual products for the new entrepreneurs; and

The concentration of industrial capacity as well as that of economic power has got increased rather sizeably.

Such is the story of distorted development of the decade since the mid-'sixties with attendant perversities. It has done considerable damage to the developmental processes and a good part of the damage appears to be of a permanent nature because there is some degree of irreversibility about many elements of those distortions under the present socio-economic set-up. How will the economy move from here and what is required to be done to recover the lost ground at least partially are vital questions but they are not the subject matter of this study, though this disclaimer deserves to be accompanied by the *proviso* that the entire analysis made and the theme presented in this study is self-explanatory in so far as the path the policy-makers have to tread, if any progress is to be achieved in regard to the supreme objective of the removal of destitution, poverty and unemployment in the country.

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Developing countries' export rate rises

The export earnings of oil importing developing countries rose by about one-fifth in 1977 and that of the oil exporting developing countries by 11 per cent. The industrial countries' volume of exports however expanded by four to five per cent only last year, about half as rapidly as in 1976, says a GATT assessment of world trade.

THE VALUE of world trade increased by about 13 per cent in US dollar terms in 1977 and amounted to about $1,150 billion, according to a first assessment by the secretariat of the General Agreement on Tariffs and Trade (GATT). The increase in dollar terms was roughly the same as in 1976. In terms of volume, however, the growth of world trade slowed sharply, registering an increase of only about four per cent in 1977, compared with 11 per cent in 1976. The relatively small increase in volume in 1977 reflected a marked levelling off in the growth of trade in the

WINDOW ON THE WORLD

second half of the year, according to the GATT.

When fuller information is available later this year, the GATT's preliminary report will be elaborated in its report, *International Trade 1977-78*. The preliminary report reflects trade returns covering all of 1977 only for certain industrial countries. Data for 1977 for developing countries and countries of the eastern trading area generally are rough estimates based on figures for part of the year and on their trade with industrial market economies.

At present, the GATT secretariat said, a forecast even for the short term could hardly be more than speculation. There are scattered signs that investors' and consumers' confidence has improved in several European countries, including the Federal Republic of Germany, the GATT observed, and in the United States, a rate of economic growth only slightly below last year's is expected for 1978.

The effect of these trends on world trade, however, is unlikely to be pronounced in the first half of 1978, the GATT said, for at least two reasons: (i) the deceleration of growth in world trade which has occurred in the second half of 1977 could be reversed only gradually, and (ii) new protectionist measures introduced in recent months will inhibit the expansion of trade, both directly and indirectly, by creating uncertainty regarding conditions of market access in the future. In addition, the GATT said, in view of the difficulties of assessing the possible impact of the recent changes in exchange rates, it would be prudent to assume only a modest increase in world trade in the first half of 1978.

The difference between the growth in value and in volume represents the change in dollar unit values of world trade, which increased by almost nine per cent in 1977, compared with a two per cent rise in 1976. This statistical change in average unit value is a composite of two basic changes: (i) in the domestic prices of goods entering world trade, and (ii) in the exchange rate of the US dollar, in which world trade is measured. For several reasons it is very difficult to measure the relative contribution of each of these factors to the observed net change, the GATT noted, and all that can be said at this time is that inflation in the domestic prices of export products seems to have continued at about the same pace in both years, or perhaps accelerated a little in 1977 as against 1976. However, the inflationary effect was largely offset in 1976 by an appreciation of the US dollar relative to the SDR, whereas in 1977 a slight depreciation of the dollar accentuated the statistical effect of inflation on world trade unit values recorded in dollars. In 1976 the exchange rate of the US dollar against the SDR averaged five per cent more than in 1975, while in 1977 it averaged about one per cent less than in 1976, the GATT noted.

rise in unit values

The rise in unit values was fairly uniform among all the major product groups and trade flows. Unit values of exports of manufactures from developed market economies increased by 9-10 per cent in dollar terms, although unit values of manufactured products exported by developing countries may be assumed to have increased less. Export prices of petroleum also rose by nearly 10 per cent, according to the UN Commodity Price Index. Prices of other primary commodities (including nonferrous metals), which had risen in the first half of the year, declined slightly thereafter and averaged about 10 per cent (in dollar terms) more for 1977 as a whole than for 1977. Sharp year-to-year increases, of 55 and 80 per cent, respectively were recorded for coffee and cocoa, while world export prices of grain declined by more than 10 per cent, according to the UN index.

Following the recovery in 1976, the GATT report observed, economic activity in industrial countries continued

to expand in 1977 but at a slower pace. For these countries as a group, the rate of increase of GNP (in real terms) declined from nearly 5½ per cent in 1976 to 3½ per cent in 1977, and the rate of increase in industrial production declined from 9 to 4½ per cent. The slowing down of domestic demand largely explains why the rise of 4-5 per cent in industrial countries' import volume in 1977 was much less pronounced than the 14 per cent rise in 1976. Industrial countries' imports from the members of the Organization of Petroleum Expotring Countries (OPEC) expanded by only 1—2 per cent in volume, a strong expansion (by nearly one-fifth) of imports into the United States being largely offset by a decline of imports into most west European countries and Japan.

Imports originating in the oil importing developing countries (excluding southern Europe) appear to have increased in volume faster than the average of industrial countries' imports from all origins. In value terms, the increase in imports from all sources was approximately 12 per cent, while imports from the oil importing developing countries increased by about 20 per cent. In particular, imports of manufactures into the industrial countries from these countries appear to have risen faster in 1977 than total imports of manufactures. The GATT secretariat recalled that between 1973 and 1976, the share of the oil importing developing countries in industrial countries' total imports of manufactures (excluding non-ferrous metals) had remained almost unchanged at less than seven per cent.

wide differences

Reflecting the wide differences in overall economic expansion rates and in the behaviour of the main categories of demand, import growth differed significantly among industrial countries. For instance, imports grew by 12 per cent in volume in the United States, by five per cent in the Federal Republic of Germany and by 2½ per cent in the United Kingdom and Japan, while in France and Italy there was no increase and Sweden recorded a decline.

Industrial countries' volume of exports expanded in 1977 at about the same rate (4-5 per cent) as imports, or about half as rapidly as in 1976. Exports to the oil importing developing countries are estimated to have increased in volume somewhat more than the average. The most pronounced increase (of more than 10 per cent) was recorded in the volume of exports to the oil exporting developing countries. There were also significant differences among countries, with exports of Canada and the United Kingdom rising by nine per cent, those of France by seven per cent, and those of the Federal Republic of Germany, Japan, and Italy by five per cent. There was practically no change in the export volume of the United States.

trade deficit

The dollar unit value of industrial countries' exports increased at roughly the same rate as that of their imports (8—9 per cent). The aggregate trade deficit (f.o.b.—c.i.f.) of North America, Japan, and the industrial countries of western Europe (excluding southern Europe) increased from roughly $38 billion in 1976 to some $42 billion. The aggregate trade deficit (c.i.f.--f.o.b.) of the southern European countries (Greece, Portugal, Spain, Turkey and Yugoslavia), increased from $20 billion in 1976 to $23 billion in 1977, according to the GATT report.

The export earnings of the oil exporting developing countries are estimated to have risen by roughly 11 per cent in 1977, essentially due to higher prices. Though their imports grew in value at roughly twice the rate of increase in their exports, the combined trade surplus (f.o.b.—c.i.f.) declined only moderately from $64 billion in 1976 to $60 billion in 1977.

Dollar export earnings of the oil importing developing countries, the GATT estimated, rose by about one-fifth in 1977, which is roughly the same proportionate increase as in 1976. However, while the largest part of the increase in export earnings in 1976 was due to growth in volume, in 1977 substantially more than half of the increase in the value of exports stemmed from higher prices.

The value of imports into the oil importing developing countries expanded in 1977 by about 13 per cent, considerably faster than in the two preceding years. The import volume is estimated to have risen by some 3—4 per cent, thus approximately recovering the level of 1974. The oil importing developing countries incred a combined trade deficit (c.i.f.—f.o.b of around $20 billion in 1977, compar with the deficit of $27 billion in 1976.

In value terms, the main exporters manufactures in the far east register an earnings increase in 1977 rough paralled to that of the other oil importi developing countries. The volume increa was again much faster for the ma exporters of manufactures, while the oth oil importing developing countries exper enced a faster increase in export price (mainly for coffee and cocoa). Import into the group of developing countrie which export mainly manufactures ros faster, in both value and volume, tha those into the other oil importing deve loping countries. The latter, more popu lous group of countries registered only 2—3 per cent increase in the volume o imports. The level of their real import thus remained below that of 1974.

eastern exports

The value of total exports from the eastern trading area is estimated to have risen by about 15 per cent in 1977. As the rise in total imports appears to have been less pronounced (around 10 per cent), the area's overall trade deficit (f.o.b.—f.o.b.) declined for the second consecutive year to an estimated $2 billion, compared with a peak of $10 billion in 1975, and $7 billion in 1976. In the European countries that belong to the Council for Mutual Economic Assistance (Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania, and the USSR), national income (excluding services) rose by five per cent and industrial production by six per cent in 1976. Exchanges among these countries increased more rapidly than trade with the rest of the world. There was, in particular, a decline, more pronounced in volume than in value, in their imports from developed market economies, reflecting the concern about servicing the foreign debt accumulated over the preceding several years.

In trade with developed market economies, exports of the People's Republic of China increased in value by about six per cent, and imports by three per cent in 1977.

Courtesy : I.M.F. Survey

Life, work and leisure in Sweden

How do the Swedes really live? How long do they live? What do they do in their free time? What do they think about their jobs? What about equality between the various social groups and between the sexes? Below is given the report of the National Central Bureau of Statistics (SCB), responsible for official statistics in Sweden, which answer these questions.

N SEPTEMBER 1977 the National Central ureau of Statistics (SCB) published report lo. 6 in the series on living conditions in weden. It is based on extensive inter- iews and official statistics from various uthorities.

Sweden has a population of 8.2 million t present. In the last 100 years the opulation has doubled, and since 1751, rom which the first accurate statistics ate, it has increased more than four-fold. This has occured despite a steady fall in he birth rate—in 1751 there were 35.7 irths per 1,000 inhabitants, now the igure is just over 12. The increase in opulation is due to the very great fall in nfant mortality. Just over 200 years go more than 200 in every 1,000 hildren died on average before rea- hing one year of age. Today only nine n every 1,000 children die during the irst year of life.

The explanation for this is, of course, he general increase in wealth in the whole of the western world as well as the growth of medical care. In 1974 every Swedish citizen paid over Skr* 2,200 owards health and medical care.

high life expectancy

Swedes are living longer and longer. More than one-third are over 50 years of age and there are almost 1.5 million pensioners.

One consolation is immigration, which consists almost exclusively of people in their prime. There are about half a million foreign nationals in Sweden—the great majority are between 25 and 45 years of age.

Despite the fact that Sweden is one of the most industrialized countries in the world, there are nevertheless close links with the peasant society—so close that even today most people either grew up in rural areas themselves or have parents who did so. In 1900 nearly 75 per cent of the population lived in the country, and not until 1940 were there more people living in the towns than in the rural areas. The extent of the migration can be seen in that only 17 per cent of the population live in rural areas today.

family structure

The structure of the family has also changed radically during this period. At the beginning of the 20th century the average size of households was nearly four persons. One-third had more than three children. Today the average household consists of 2.6 persons, only barely one-tenth have more than three children. One-third are childless.

How do the people support themselves? Well, nearly one-half earn a living from industry and trade, one-quarter are employed in commerce and communications, and one-quarter in the public sector, i.e. as government and municipal employees. Agriculture and forestry, which about 100 years ago supported three-quarters of the population, now employ only 7-8 per cent.

Every Swede of working age, i.e. over 15 years of age, has an average Skr 30,000 per annum at his disposal. The figure includes everyone, even those who have no earned income, e.g. those receiving pensions of various kinds, housewives and children supported by their parents.

According to the statistics men of 35-64 years of age earn the surplus sum. They earn about Skr 60,000 per annum on average. Women are worse off—for the equivalent age group the average income is Skr 27,000. Older women are wors off—their annual income is barely Sk 25,000.

If equality of the sexes has not bee successful as regards income, it is well o the way to being successful as regard employment intensity. Nearly one-half o all women are gainfully employed i Sweden today, and this growth has been fast. In 1950 only 29 per cent of women were gainfully employed and the great majority only worked while they were young—when they reached 25 years of age (and got married?) near one-half stopped work.

Nowadays women on the labour market are older: 50.7 per cent are between the ages of 25 and 49, and 45.7 per cent are between 50 and 59. But women are less well-paid—even when they do the same work as men, despite the fact that most employers now accept the principle of "equal pay for equal work". In the 1970's—the decade in which the discussion of ideas on equality has been at its most heated—women in industry have only been receiving just over 80 per cent of their male colleagues' wages. Unemployment is also more severe among women. Since 1963 unemployment statistics according to sex have been available. These show that throughout the period there has been greater unemployment among women—this has been particularly marked during economic recessions.

measure of wealth

A measure of individuals' wealth used by SCB is to measure how many Swedes can raise Skr 3,000 in cash within a week. This figure has been considered to be a reasonable sum of reserve capital for unforeseen expenditure or in order to be able to take advantage of a bargain, e.g. a capital good on special offer.

The investigation shows that 3.5 million of the adult population (of 5.8 million) have Skr 3,000 in savings and can thus raise the money immediately. A further one million can borrow Skr 3,000 from relatives and friends within a week and

*1 Skr (Swedish krona) = US $ 0.21 or £ 0.11 approx.)

350,000 Swedes consider themselves able to obtain a bank loan.

There is also a large group—one million—who cannot raise the money. The great majority of these "poor" people are single and many of them are fairly young.

But there are also people of great wealth. Naturally enough these are to be found above all among Swedes on very high incomes. 831 persons on incomes of over Skr 500,000 per annum each have on average Skr 6.1 million in capital. Statistics also show that there are about 8,000 millionaires, of whom about one-half are multi-millionaires.

class differences

Despite a long history of equalisation policies there are class differences in Sweden. A summary made in November 1977 by Sweden's largest morning paper, *Dagens Nyheter*, in collaboration with SCB on the basis of SCB's report on living conditions clearly show the class differences : In statistics use is generally made of three class divisions or socio-economic groups : Manual workers (production and distribution employees), lower white-collar workers (clerks, assistants) and higher white-collar workers (engineers, specialists). The summary showed that on point after point the manual workers are worst off. The differences between the groups "lower white-collar workers" and "higher white-collar workers" were, however, smaller. At the same time a comparison was made between Swedish citizens and immigrants which showed that the real lower classes in Sweden today are the south European immigrants.

SCB's investigation also show that there is little mobility between the different classes in Sweden. A necessary condition for social mobility is that everyone has the same right to education irrespective of the parents' social standing. In line with this generally accepted principle all education in Sweden is free. But despite this children of manual workers become manual workers and children of university graduates become graduates according to SCB's report. Eightyseven per cent of the children of graduates choose the line in the basic comprehensive school which entitles them to enter upper secondary education. Among the children of manual workers the figure is 25 per cent. Twelve per cent manual workers' children go on to upper secondary school, while the figure for children of graduates is 72 per cent. Only about 10 per cent of manual workers' children succeed in leaving their social group and entering one of the higher groups.

The differences between manual workers and professional people, apart from differences in income, which affect the standard of consumption, are most obvious on two points: *the work environment* and *job security*. For example, 45 per cent of manual workers have unsocial hours (mostly due to shift work) every working day. Among higher white-collar workers the figure is 12 per cent (mostly due to over-time). Eightytwo per cent of manual workers have physically exhausting jobs, for higher white-collar workers the figure is 12 per cent.

As regards job security statistics show that one in five manual workers have been unemployed during the last five years—one in twenty higher white-collar workers were given notice.

But higher white-collar workers must also sacrifice something for this higher standard and greater security. They have longer working hours and longer journeys to and from work. The latter are, of course, due to the fact that they live in residential areas far from their work-places.

higher education

Just over one-half of all Swedes have received only compulsory education; 12.5 per cent have a university education. A large part of the population was quite simply unable to receive education because there was none or because it was not free. This is seen if the educational level of an age group with access to free education beyond compulsory education is examined. One in four Swedes between the ages of 25 and 34 (who thus had free education) have pursued a university education.

Society's investment in education is also seen in the fact that it now costs four times as much (in fixed prices) as 50 years ago.

The average length of life of a Swedish man is 72.1 years of age, while that of a Swedish woman is 77.7. The most com[mon] cause of death is heart and arterial [dis]eases, followed by cancer and 0.5 per [cent] die as a result of violence. Road accide[nts] are annually responsible for 1,000—1,[500] deaths, nearly 7,000 severe injuries [and] about 14,000 minor injuries.

A more curious statistic is the numb[er] of Swedes with their own teeth. At [65] years of age only one-half of the popu[la]tion still have their own teeth and are [not] in need of any form of false teeth. The[re] are also clear social differences here. [At] the top of the social ladder only 27 p[er] cent have some form of false teeth, at t[he] bottom of the ladder 61 per cent ha[ve] such bad teeth that they must be suppl[e]mented by false teeth.

spurt in crime

Crime has increased greatly in the la[st] 25 years. Whether the statistics record[ed] really show the actual increase in crim[e] and do not just show that the police ha[ve] received greater resources shall be le[ft] unsaid. It is, however, clear that accord[ing] to statistics the number of crimes ha[s] increased four-fold since 1950. All type[s] of crime show the same tendency—[a] steady rise—with one exception: home distilling. In 1950, 410 home-distiller[ies] were uncovered—in 1976 there were only half as many. This is a remarkable trend if the almost unbelievably high prices o[f] spirits in Sweden are considered.

Drug crimes were an almost unknown concept in Sweden in the 1950's. Five drug crimes were uncovered 25 years ago —now the figure is nearer 20,000 per annum.

In 1975 murder, manslaughter and grievous bodily harm were the cause of death of 124 people. In 1950 the figure was 81. 1975 was incidentally the first year when the figure exceeded 100.

In 1974 (the most recent statistics collected) crimes resulted in the sentencing of 11,700 persons to imprisonment and of nearly half a million persons to fines. The number of people sentenced to imprisonment has increased steadily in the last few years. This is partly due to the increase in the number of driving offences, but it is mostly a result of sharply increasing drug crimes.

There are 3.5 million dwellings in

eden; 41.6 per cent of the dwellings are houses and 58.4 per cent in blocks of s. The great majority of dwellings nsist of three rooms plus kitchen (25.9 r cent) and these are followed by two oms plus kitchen (24.9 per cent). Nearly per cent of all dwellings have three oms plus kitchen or more. Considering at the average family consists of 2.6 rsons, overcrowding is regarded as a oblem which is dying out. (The norm one person per room, excluding living oom and kitchen.)

Seventynine per cent single people live spacious and modern housing, 87.5 er cent of cohabiting or married couples ithout children and 83.1 per cent of ohabiting or married couples with hildren.

The highest proportion of people who re overcrowded are families with children 14.7 per cent), but only three per cent of hem live in old-fashioned housing.

What sort of equipment do they have n their dwellings? Well, 15.4 per cent ave a dish washer, 87.3 per cent a wash-ng-machine, 71.5 per cent a freezer, 3.6 per cent have a telephone, 40.5 per ent a colour TV, 63.8 per cent a black nd white TV and 80.3 per cent a daily paper.

The great majority of dwellings are 11-30 minutes from the work-place. People in metropolitan areas have the longest travelling time to and from work. Over half the people in metropolitan areas must reckon on journeys of half an hour or more—in the two largest cities, Stockholm and Goteborg, travelling time for about one-third of the inhabitants exceeds one hour. The 2,760,264 private cars (336 private cars per 1,000 inhabitants), which annually drive 40,000 million kilometres and discharge 1,440 metric tons of lead into the air, are used—at least in part—for these journeys.

In Sweden everyone has the right to at least four weeks' statutory annual holiday. (As of 1978 five weeks for all.) The longest permitted ordinary working week is 40 hours. The five-day week was generally brought about in the early 1960's. What do the Swedes do with this free time?

The answer is they watch TV—at least as regards daily leisure activities. Seventy per cent watch TV daily. Next on the list of activities is reading books—20 per cent do so daily. (Daily newspaper reading is not recorded, since it is assumed that everyone who has a daily paper—i.e. nearly everyone—at least looks at it.)

The least popular activities are participation in organizations or study circles. Sixty per cent have never done so. These are followed by going to libraries and sports events—46 per cent have never done so. About 15 per cent never read either books or magazines.

But the picture is not only gloomy as regards Swedes' leisure. SCB also examined some outdoor activities to establish their popularity. It was seen that 71 per cent went for a walk during the investigation year. Fiftysix per cent did some gardening, 72 per cent visited an open-air swimming-pool, 40 per cent did some fishing and 35 per cent went for cycle rides. In view of the high frequency of cars surprisingly few, 69 per cent, went for a car ride during the year as a form of relaxation.

Boats and second homes also play a large part in the Swedes' outdoor life. Twenty per cent have access to or own a second home and just over 18 per cent have access to or own a boat.

Charter holidays are another leisure activity which have shown an extensive increase. In the early 1960's only about a bare one per cent of Swedes took charter holidays—today one in ten Swedes travel abroad by charter flight every year.

(*Courtesy*: Svenska Institutet, Stockholm)

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MOVING FINGER

Last week I asked the question whether it was strictly necessary or even proper for Mr Morarji Desai to broadcast or telecast a special narration of the central government's achievements on the occasion of its completing its first year in office. My argument was that the government was having ample opportunities in parliament or elsewhere for describing or defending its record of the past 12 months and that Mr Desai's appearance on Akashvani or Doordarshan for this purpose smacked of party propaganda. I also suggested that, since Mr Desai had in any case made use of radio or TV in this fashion, it was only proper that the opposition should be given similar facilities. It has since been stated in parliament by the minister for Information and Broadcasting that the leader of the opposition in Lok Sabha was in fact invited to present his views on the Janata government's performance, but he chose to decline the invitation. Mr Y.B. Chavan, no doubt, has his reasons and some of them at least are not difficult to guess. Mr L.K. Advani, however, certainly deserves to be complimented on his having tried so hard to hold the scales even between the ruling party and the opposition. All the same, it is hard to please everybody and I am sure that there are quite a few who would argue that, had Mr Advani really meant business, he would have gone to Mrs Gandhi and not to Mr Chavan. She, certainly, would have been only too happy to oblige.

It is good that there are ministers such as Mr Advani who take seriously their obligation to prevent or avoid the misuse of the media by the ruling party. Unfortunately, abuses have a way of persisting or perpetuating themselves. Take for instance the various state governments, particularly those in the Hindi belt. They are buying newspaper space extravagantly to advertise the number of wells they claim to have dug or the lengths of roads they say they have laid. Surely it should not be necessary for the state governments to pay newspapers to inform the public of such achievements. It is part of the ordinary business of newspapers to take note of or write about these things and the regular and adequate press coverage of the proceedings of the legislatures should serve to keep the public informed of what state governments are doing for their benefit. When this is so the suspicion is hard to resist that the main purpose of such advertising by state governments is to secure personal publicity for their prominent politicians, particularly hard-pressed ministers or chief ministers.

I do not know what Mr Advani himself can do to arrest the rot, but I do know that there is a lot to be done by him even nearer home. Last week, again, I had referred to the special press releases issued by the Press Information Bureau celebrating the Janata anniversary. Now I have before me samples of even more flamboyant exercises in the same field by the Directorate of Advertising and Visual Publicity, which is also a limb of the ministry of Information and Broadcasting. There is a brochure on "The First Year", another on "Second Independence" and two more on "Year of Change." I may at once say that these publications are very well produced and that the paper and printing are certainly of high quality. Naturally they must have cost a lot of money and I cannot help recalling that one of the legitimate complaints against the Information and Broadcasting ministry, as it was functioning during the emergency, was that it was spending the taxpayer's money lavishly on propagandist publications. Does the present set-up in that ministry believe that no lesson is to be learnt from this experience? More specifically, should government be keeping in its pay, a "regulars" or "irregulars", journalists whether effective or effete, for doing odd jobs for its publicity organs? Once again I must point out that this too was a practice which was not well thought of when the previous government, particularly the emergency regime, resorted to it.

The newly born Editors' Guild of India has started well. At the recent national convention inaugurating it, the Guild decided to send a team of three journalists to Khetri in Rajasthan to investigate reports of a "mass rape" which was alleged to have taken place there on the night of February 26, when a large number of men, women and children had assembled in the compound of a cinema theatre to witness a variety entertainment by film artistes. Stories of this rumoured happening found their way, in one form or the other, into some of the newspapers and when one of these accounts appeared, rather belatedly, in a leading Hindi daily published from New Delhi, there was a heated discussion in parliament.

The Home minister declared that there was no truth in these press reports and it consequently became a matter of some importance for the Editors' Guild, the purpose of which is to uphold journalistic ethics and promote professional norms, to make its own inquiry and place its findings before the public. Accordingly, it sent its own representatives to Khetri to find out what really happened there and this team has reported that, although some disturbance was created by unruly elements when the lights went off, rumours of women having been raped had evidently been fabricated. The publication of this finding in a number of newspapers has naturally helped to clear the air, but it is obvious that the possibilities of reports, which are false or have not been properly verified, being published in newspapers or periodicals can be reduced only to the extent that editorial control over the news room becomes more effective. As it is, the Working Journalists Act guarantees that this control can be only nominal over any part of editorial establishments.

VB

Energy consumption and economic development

The Power Sector in India : Dileep M. Wagle and N.V. Rao (of Tata Economic Consultancy Services); Bombay Popular Prakashan; Pp 133; Price Rs 40.

Urban Mobility in Developing Countries : P.G. Patankar; Bombay Popular Prakashan; Pp 152; Price Rs 75.

Report of the Committee on Industry and Rural Development : The Associated Chambers of Commerce and Industry of India; Pp 190; Price not given.

Consultancy Services in the USA, Canada and India : Consulting and Applied Research Division of ASCI, Hyderabad and Federation of Indian Exports Organisations, New Delhi; Pp 151; Price Rs 75.

Report on a Study of the Debt-Equity Ratio Norms : B.K. Madan; Management Development Institute, New Delhi; Pp 134; Price Rs 40.

Defence Production and Development : Rajesh K. Agarwal; Arnold-Heinemann Publishers, New Delhi; Pp 108; Price Rs 25.

Reviewed by **Academicus**

THE COMPREHENSIVE study, *The Power Sector in India,* by Wagle and Rao represents an attempt to survey the power situation in the country. The book is divided into two parts. Part I is in the form of an 'overview' giving an aggregative picture. This part attempts "to put the matter into perspective, by reviewing the growth of the power sector in India since Independence, by examining the resource position of the industry, and by assessing its prospects for growth in the context of the government's policy framework". Part II of the book represents a detailed study of the power situation in each state with exhaustive examination of the supply side, the current status of on-going projects in each state, plans for setting up new projects in the foreseeable future, and on the demand side an examination of past trends of consumption and assessment of future requirements of both agriculture and industry. Since electricity is vital for economic development, the authors' analysis and recommendations deserve careful understanding and assessment.

It is a well-known fact that energy consumption and economic development are closely linked. It is invariably found that countries having relatively high per capita income enjoy a relatively high consumption-level of energy per head. For example, it is found that during 1960-74, per capita energy consumption in non-OPEC developing countries increased at an annual rate of 5.2 per cent; this rate is noticeably higher than growth of per capita income in those countries during the same period. India has of course been no exception to this general rule with the consequence that overall energy co-efficient rose from 0.57 units in 1961 to 0.80 units in 1971. This increased intensity of energy use is due to factors such as agricultural development, rural electrification, growth and diversification of industries, and increasing urbanisation.

BOOKS BRIEFLY

It is found that the energy sector in India is the most diversified one, the sources of energy ranging all the way from cow-dung to nuclear generation. It is found that even at present non commercial sources account for nearly half of total energy consumed. It is also found that among coal, oil and electricity, the rate of expansion in consumption of electricity was the highest. Its share in total consumption of power increased from 12.3 per cent in 1953-54 to 24.7 per cent in 1970-71. The increasing dominance of electricity in India in common with the rest of the world is due to factors such as "efficiency of conversion of primary sources like coal and crude oil to electricity, rising efficiency of transmission and utilisation, and versatility, flexibility, adaptability, and amenability to control of electricity." With increasing mechanisation of agriculture and industrialisation this trend of more intensive use of electricity is likely to continue and grow.

highest expansion

Naturally among the principal sectors of the economy, the power sector in India has recorded the highest rate of expansion in recent years. The GDP originating from this sector showed an annual rise of about 10 per cent during 1961-74. This is a higher rate than that of any other sector. In terms of value added, power generation has been the second biggest industry next only to textile. Power sector is also the largest public enterprise in terms of investment. This sector being capital-intensive has consistently received considerably large share of the total plan outlay. Taking the period of the first four five-year plans, this share was around 15 per cent of total public sector outlay. The fifth Plan outlay for power sector was Rs 7,294 crores accounting for 19 per cent of total public sector outlay. This proposed outlay exceeded outlay on agriculture and allied programmes and was next only to that an industry and mining.

It is gratifying to note that in 1975-76 about 77 per cent of total power consumed in the country was utilised for productive purposes. Among different consuming sectors, agriculture exhibited the highest rate of growth. Thus the share of agriculture in total consumption of power rose from 3.8 per cent in 1953 to 14.5 per cent

in 1975-76. It is a matter for gratification that rural electrification has constituted an important item in the development of power sector. By the end of 1976, 1.96 lakh villages were electrified. This works out at 34 per cent of total villages in India.

Unfortunately in spite of additions to generating capacity, the supply position has lagged far behind demand. Energy shortages have been plaguing the economy with extremely adverse effects on the agricultural as well as industrial sectors. In spite of substantial investments, shortfalls in physical targets of generation of electricity have been 15.4 per cent d uring the first Plan; 35.7 per cent during the second Plan; 35.8 per cent during the third Plan; 21.1 per cent during three annual plans; and as much as 50 per cent during the fourth Plan. The main factors responsible for above shortfalls have been rising costs, delays in construction of civil works caused by shortages of building materials, inadequate project preparation and delays in supply of equipment.

thermal generation

Hydel generation is subject to vagaries of monsoon; but unfortunately there was substantial underutilisation of even thermal plants. The utilisation factor was only 38 in 1955-56 and though it has improved over years, it was only 53 per cent in 1976-77. There has also been heavy loss of power generated due to inadequacy of transmission lines, heavy agricultural load, low power factor and due to pilferage. This loss amounted to nearly 20 per cent of net generation. What is more disturbing is that this ratio has been increasing over years.

The policy perspectives constitute the most important part of the book. According to the authors, the power sector cannot be viewed in isolation. Development of the power sector must be viewed in the context of broader perspective of economic development. Thus strategy and pattern of development would determine total requirement of power. For example, greater emphasis on agriculture and allied activities rather than industries and especially heavy and basic industries would result in a lower level of consumption of power.

According to the authors, power resources being unevenly distributed and developed, there is a strong need for a policy approach to rationalise production and distribution from surplus to deficit areas via regional grids and eventually through a national grid. The policy of each state seeking to be self-sufficient in respect of power needs to be abandoned. Inter-state disputes resulting in less than optimal development of hydro resources need to be avoided. A national grid capable of bulk transmission of excess power from one region to another, and a national power development programme based on least-cost locations, irrespective of state boundaries are inescapable requisites to meet the increasing power requirements of coming decades. The Central Electricity Authority created recently should provide institutional set-up for a national approach to power.

While rural electrification is welcome from the socio-political angle, the authors have warned that the programme be viewed against the very substantial costs of rural electrification. "In the present context when the overall availability of power itself is inadequate, programmes involving a widening of its distribution in the short-run are best avoided." Also, benefits of rural electrification have gone mostly to the well-off in rural areas and not to the poor. For some time, not electricity but bio-gas may be the right answer in regard to supply of power in rural areas.

problem of pricing

The problem of pricing of electricity needs to be tackled systematically keeping in view both the commercial and welfare aspects. The authors are of the opinion that in spite of welfare aspects and subsidised rural electricity programme, price of electricity should be adequate to ensure financial viability of power industry. Financial problems facing most state electricity boards have arisen because prices at which power is sold do not reflect the operating costs. The Fuel Policy Committee has recommended a return of at least 10 per cent on investment made in the sector. The authors have also warned that a rational pricing pattern in the power sector has necessarily to be a highly differentiated one as between consumers, regions and between even different hours of the day. Also, the level of utilisation of installed capacity (particularly of thermal plants) is very low and means misallocation and wasteful use of the community's resources. Attempts should be made to increase utilisation percentage as also to avoid wastages of power generated.

Shortages of power (especially of electricity) have been causing tremendous damage to the Indian economy, often resulting in a reduction of industrial production by as much as 10 per cent. This excellent volume surveying the power sector of the Indian economy provides useful and eminently practicable guideline for making the best out of the existing situation.

PEEP INTO THE FUTURE

P.G. Patankar has made an attempt in his book *Urban Mobility in Developing Countries* to emphasise the importance of efficient arteries for transportation of people in the form of powerful public transport system without which urban centres both in developed and developing countries would be facing chaos. The author has reviewed the existing transport system and has tried to look into the future. The different modes are compared on the basis of their hourly passenger carrying capacities and a simple mathematical model to compare the various modes of transport from economic point of view has been worked out.

Patankar has rightly emphasised that urban transportation in developing countries "must enlarge and improve to keep pace with the urban population growth in geometrical progression." With increasing urban population consequent on increasing industrialisation," good and steadily improving transportation is a must for improved productivity and liveability in urban areas." According to the author, public transport system needs preference over other important municipal investments.

Problems of traffic congestion in the initial stages may and should be tackled by road improvement and traffic engineering measures. But these are only short-term solutions. It is only the long term measures with the sole aim of improving

ne carrying capacity of the overall transportation system that offer an effective olution to the problem.

The mass transportation in urban areas, he author opines, is a peak-hour problem nd therefore the hourly passenger carrying capacity of each mode of transport plays an important role in the configuration of the overall transportation system. In a developing country, more stress has naturally to be given to augmenting the existing systems as funds for development of new and more powerful transport systems are lacking. Transport being a service industry (and not an end in itself), it must be properly coordinated with land-use planning to make city life more pleasant. In this top priority must be given to the public transportation system as a part of overall transportation planning. Transport planning must emerge from its basic requirement which is to move people and not cars.

productivity consciousness

Every transportation mode will have to be productivity conscious and the aim will have to be optimum productivity. Judicious distribution of traffic among several modes of transport is an important factor. According to the author developed metropolitan areas should have mass transportation system built around "a hard core of rail rapid transit, preferably underground, tied to feeder bus routes." The economy of the overall transportation system is very much related to its hourly carrying capacity and therefore the choice of a particular mode on a particular route will depend upon peak traffic demand. According to the author's estimate, "An underground railway system starts competing with modes like diesel omnibuses and trolley buses, once the peak hour traffic demand is beyond 30,000 passengers." Where augmentation of the existing surface railway or construction of a new surface line is not feasible, an underground railway appears to be the primary solution.

It is essential that the city transport system is evaluated as an integrated travel facility. This would be possible according to the author, only through a central transport authority for each urban area. Naturally town and transportation planning must go hand in hand and the entire land-use planning must be linked to its effects on transportation requirements.

The author thinks that the urban transport system must be built round the bus trasport system which must be spared from heavy taxation. In future, priority must be given to planning and providing the overall transportation network in the initial stage itself. The land-use must be so developed that traffic demand created by such land-use must be within the capacity of the overall transportation system planned.

If the author's implied idea is that there should be less reliance on private cars and more emphasis on public bus system, it is absolutely necessary first to furnish such urban areas with planned and organised bus transportation facilities. They must be available within walking distances anywhere in the metropolitan spread; they must be fast, cheap in both personal and social costs and with a fare structure that is reasonable.

Though Dr Patankar has looked at only urban transportation system excluding wider consideration of entire transport system in the country, the book should be of immense value to transport planners who are at present wrestling with the task of increasing mobility in Indian metropolitan cities.

BALANCED DEVELOPMENT

The Associated Chambers of Commerce and Industry of India (Assocham) set up a committee on industry and rural development in April 1976 of members drawn from industry and government. The committee visited various centres where rural development programmes were in progress and held discussions. *Report of the Committee on Industry and Rural Development* embodies the discussions, conclusions and recommendations of the committee on the subject of industry and rural development.

As regards the rationale for industry's involvement in rural development, the committee rightly felt that in its own interest industry should involve itself in rural development. This is because it is the rural sector that provides about half of national wealth supporting about 70 per cent of population and thus providing not only raw materials for various industries but also vast potential market fo various manufactured goods. The industr should also involve itself in rapid rura development not only from the humanita rian point of view but also realising tha vast and expanding industrial structur cannot emerge against the background o poverty of vast rural masses and tha growing disparities between urban elit and rural poor would threaten politica stability endangering the growth and pro gress of industries in the private sector.

important lessons

The committee has drawn importan lessons on the basis of past experience o various voluntary and official bodies work ing in the field of rural development. Th committee found that where sincere effort were made, results have been rewarding and rural population showed eagerness to learn new things and improve their lot It is however necessary that efforts must be sustained and no quick results should be expected. Also there will have to be "great deal of unlearning by urban educated agents wanting to work sincerely in this field." A certain amount of understanding and even acceptance of existing socio-economic system and values are necessary if success is to be recorded in this field, though the ultimate objective is to change the values and existing system in rural India. The committee felt that it would be better if rural development programme starts with a single aspect of rural life though ultimately an integrated programme embracing, animal husbandry, public health and hygiene, education, communications and so on will have to be evolved. There is no doubt that these are all valid lessons and should serve as guidelines for the worker in this field.

On the basis of historical experience and observations, the committee has drawn certain conclusions and made recommendations. The committee felt that there should be clarity of motive behind the work of rural development. Motives may be various—doing good, social responsibility of industry, idealism, publicity, concern for country's problems, economic benefit or political interests. The committee felt that whatever the motives "it will be worthwhile to clarify

one's motives initially and also to keep track of any changes in motive that may take place as the effort progresses." There is no doubt that it is absolutely necessary that one should know his motive behind the work that he is undertaking whatever the field of work. This would provide clarity of vision and clear direction for work.

The committee felt that it is necessary to identify resources needed and resources available within the organisation itself. It should be noted that in the field of rural development while money is important, perhaps more important resource is the committed and trained personnel. Experience of government agencies in this field shows that money by itself cannot bring about the desired results. "It is the quality and commitment of personnel that will make the difference."

making a choice

The next step would be for the industrial unit concerned to make a choice as to whether it proposes to work in the rural areas by supporting an existing voluntary agency, or inviting an existing agency to start a branch in the area, or enlist the help of existing agency to train and supplement personnel directly employed by the industrial unit, or divert a corps of experienced staff to undertake full time work in rural areas with guidance in this regard from various sources. The above are steps on a graduated scale of increasing direct involvement on the part of industrial unit concerned. What is basic is to note that the programme needs an organisation with skills of management viz identifying problems and opportunities, formulating a plan of action and implementing the plan with necessary resources in skills.

The committee has recommended that the personnel engaged in the work of rural development should have some formal training in agriculture, animal husbandry, public health or some skill useful in villages. The workers should be willing and capable of living in villages and be in a position to identify themselves with rural masses for whom they are supposed to be working. At the same time the workers should be capable of innovative thinking in order to effect improvements in existing value-system and practices. The committee has rightly noted that ultimately the rural areas are to be made self-reliant.

The committee felt that chambers of commerce and industry can play a vital role in rural reconstruction and development by creating enthusiasm among industrial units in this regard, by providing forum for exchange of ideas, acting as channel for contacts with voluntary agencies and by organising evaluation of work done in this field.

It augurs well for the country that chambers of commerce and industry and industrial units have shed their indifference if not positive hostility towards rural development and have started envincing interest in the field. This is necessary even in their own interest. Strong and prosperous industrial structure cannot be built on a vast hinterland of poverty, ignorance and misery. The industrialis's have also brought their practical approach to the problem as seen from the every eminently practicable recommendations which they have made. It would truly signify a revolutionary change the day industrial units start taking genuine interest in rural reconstruction and development. The Associated Chambers of Commerce and Industry of India deserve compliments for coming forward and vigorously propagating the idea through papers and discussions all of which find a place in this report.

ROLE OF CONSULTANTS

Consultancy Services in the USA, Canada and India is the outcome of an on the spot study by I. Moses of consultancy services in the USA, Canada and India.

Developing countries encounter complex problems which can only be solved by utilising a wide variety of expertise and skills. In this task of nation-building, the limited trained manpower in developing countries can be supplemented by engaging specialised know-how of consultants, both in technical and management fields. It requires to be emphasised and understood that "the consultant is the change-agent of the economic transformation and is the force behind such transformation."

Today more than ever before, the essential task of management in all organisations would be "the management of change". Naturally management consultants would be playing a dominant role as catalytic agents of change. The appearance of trans-national firms in the business world in most countries has brought in its wake new management problems thus throwing challenges before management consultants and consultancy firms. There is now wide recognition that the determination of goals and formulation of programmes for achieving them can be identified and implemented effectively only by consultants who alone can adequately recognise and respond to new challenges.

management problems

The management problems have become too complex to be adequately dealt with by any expert in any single specialised field. At the same time no generalist can know enough in several fields to do the job. The management problems therefore are required to be tackled by an interdisciplinary, problem-solving, tightly knit team consisting of highly trained professional consultants. There has thus emerged in the business field consultancy firms to organise and impart change. Management consultancy in the USA and Canada has for all practical purposes become an integral sub-system of modern business enterprises.

In the case of India, it is noticed that through years many firms have concentrated on certain areas of consultancy and have built-up reputation in specific fields of operations. Personnel strength which forms the basis of consultancy service has been well-developed by these consultancy firms. Some of the consultancy firms have organised supporting services which have become for all practical purposes self-relient. There is also good scope for exporting consultancy services as India happens to be one of the few developing countries which is in a position to transfer technical know-how and services to other developing countries. It is also found that the direction of export of consultancy services towards the middle east and south east Asia appears to be aligned to some extent with India's foreign policy.

Management consultancy firms in India are at present in a position to provide services in areas such as finance,

arketing, production, personnel, data-rocessing and systems analysis. Some of ie established consultancy firms have een exporting services in the areas of ersonnel selection, recruitment, market-ng feasibility studies, proposals for oint ventures and so on.

It is found that opportunities for ex-porting engineering consultancy services re quite encouraging. India has adequate echnical know-how and competence which can be gainfully employed abroad, in fields such as metallurgy, chemical and civil construction etc. The Indian known-how, experience, expertise and resources to undertake major turn-key projects are well-recognised abroad.

The author found that some factors are impeding export operations of Indian consultancy firms. The main factors in this regard are the constraints imposed by inadequate finance and market information. Also consultancy personnel should develop better understanding of client priorities, get attuned to the client system and improve strategies, staffing and training methods and managerial disciplines to maximise their contribution to clients' systems.

The author has also opined that there is an urgent need for the formation of a regulatory body and institutions for training consultants in the country.

Consultancy service is a new field that is bound to play an increasing role in 'managing change' in view of the dynamically changing business world. While India has made some progress, as yet no determined, concerted and planned efforts appear to have been undertaken to exploit the full potentialities of this challenging field. I. Moses has therefore done a good service by putting down considerable amount of information about this new discipline on the basis of his personal experience here and abroad. The book would and should draw due attention to this challenging field.

DEBT-EQUITY RATIO

A study on debt-equity ratio was undertaken by Dr. B. K. Madan on behalf of Management Develonment Institute, New Delhi, at the request of the government of India,

Report on A Study of The Debt-Equity Ratio Norms has disclosed that the debt-equity ratio norm of 2:1 has been operated as a broad indicator or general guideline rather than a rigid and inflexible rule, for assessing the capital structure of companies applying for issue or increase of capital and for financial assistance especially from public sector financial institutions.

Large capital-intensive projects have been permitted a higher debt-equity ratio of around 3:1 or even higher. On the other hand, in small industrial enterprises operation of debt-equity ratio norm has been eased through a number of reliefs and concessions which have in effect made possible higher levels of debt relative to equity.

decision-making

The author finds that the general debt-equity norm of 2:1 should be retained for the sake of "good order in, and for facilitation of, decision-making even if the norm is treated as a point of departure either way." Even at present the above norm acts only as a broad guideline and is not rigidly applied. The author feels that at present there is hardly any case for upward shift of the norm of debt-equity ratio. He wants that the remedy for ampler debt can be administered through selective application and regard to all relevant governing regulations and practices of regulatory authorities and financial institutions rather than formally raising it.

The author is also of the opinion that formulation of industry-wise multiple norm is neither desirable nor practicable. On the whole the concept of the moving norm is a useful one and in one sense it is already incorporated in international procedures being deducible from the repayment schedule. According to the author, the application of the moving norm should be a matter for specific determination in each case. There are widely differing circumstances of projects and therefore there can not be any inflexibility in these matters. The author also is of the opinion that the problems of the debt-equity ratios in regard to backward areas does not call for any further action except effective implementation, as necessary, of more favourable ratio in this regard.

The author also has opined that as higher debt-equity ratio implies a lower direct tax incidence, this would be considered as part of the package incentive for exports as a possible useful device for lowering the high tax incidence on industrial units in general in relation to the export part of the industry.

Finally the author has maintained that the government must not look upon the debt-equity ratio problem in isolation but should "seek ways and means of improving the total operation of policies, including an appropriate debt equity ratio, with a view to subserving the objective of better and more efficacious financing of new investment in private sector industrial establishments.

Having read this book, one gets the impression that there is not much that can be said by way of theoretical analysis on the question of debt-equity ratio in an industrial enterprise. Circumstances are so widely differing from one project to another that the author had nothing much to say. And when one has not much to say and yet tries to say it in 134 pages studded with innumerable tables (for which Dr Madan always shows excessive fondness), the result is a book that bores without at the same time imparting any new knowledge.

DEFENCE PRODUCTION

Defence is a vital matter for any nation and yet Indians in general are found to be indifferent to the subject, may be due to history or tradition or culture. No wonder therefore defence-oriented studies are a rarity in India. This is reason enough to welcome the book *Defence Production and Development* by Rajesh K. Agarwal, Director of the Birla Institute of Scientific Research. What would please the reader more is that the author has dealt with this off-beat subject with deep understanding, insight and scholarship. Every chapter is packed with information that is revealing; the exposition is lucid and expression felicitous making reading of the book both instructive and enjoyable.

The author has revealed that the annual resource commitment by the world for defence has been more than five times as

arge since world war II. In absolute figures the expenditure on defence has mounted from $159 billion in 1966 to $280 billion in 1975 which was about 15 times as large as the value of all official assistance provided to the Third World countries. In 1975 total defence expenditure in the world, to use another measure, was as large as total worldwide government expenditure on health or on education. The world military expenditure has increased at an average annual rate of 4.5 per cent over the period 1948-75.

The author has revealed that "... the size of the defence budget is not significantly related to the size of the per capita GNP of a country. For example, Switzerland and Denmark with high per capita income, are ranked 31st and 33rd respectively in regard to size of country's defence budget, while Egypt and India with much lower per capita GNP are ranked 10th and 12th respectively. It is clear that "a country's defence budget is related more to intangible factors like its perception of its security needs or its perception of its regional or global responsibilities." Incidentally, India's per capita defence expenditure for 1977 was only US $6 as against $1178 in Saudi Arabia (which was the highest in the world), $11 in the case of Pakistan, and $5 of Colombia (which was the lowest).

Israel's position

In terms of defence expenditure as percentage of GNP, Israel was topping the list with 35.3 per cent in 1977; India's percentage was 3 in 1975, while Brazil's was the lowest with 1.3 per cent. The author should have noted and the readers should note that the author has based his analysis on official figures on defence expenditure which often conceal more than they reveal.

Does increasing military expenditure, especially in developing countries, impede national growth of the economy by diverting funds away from productive to unproductive channels? The author finds that there are no unambiguous conclusions in this regard. For example, all countries with low defence expenditure do not have high growth-rates; nor all those with high defence expenditure have low growth-rates. Taiwan, Israel, Syria and Egypt have all about nine per cent of GNP allocated to defence; but we find high growth rate of 10.3 per cent for Taiwan and only 1.8 per cent in the case of Egypt. According to the author, there thus appears to be no clearcut relationship between level of defence expenditure and economic growth. Anyway whatever the correlation between defence expenditure and growth or defence expenditure and expenditure on welfare (where also there is positive correlation coefficient), in view of the pattern of violence both internal and international, reducing defence expenditure appears hardly feasible.

masterly summary

In the second chapter of the book, the author has summarised in a masterly way the problems of India's security. The author has dealt in a very objective manner with defence problems arising out of factors such as geographical location, attitude of neighbouring countries, actual or potential threats posed by Pakistan, China and Bangladesh, possible future repercussions of arms-building in Iran and the Middle East on India and increasing military strength of OPEC countries, possible threats from the side of the Indian Ocean and the American and the Russian involvement in that area, and growing interest of China in south east Asia. Since India will have to build her defence structure and system on certain political and strategic assumptions, an unsentimental and matter-of-fact analysis of the circumstances as they are and are likely to develop is absolutely essential. In less than ten pages the author has summarised the defence implications of the above developments in a manner that eschews all sentimentality and goes to the heart of the matter.

Against the above background the author has emphasised the significance of rapidly increasing defence production in the country. India's commitment to achieve self-sufficiency in defence production fits well with the nation's industrialisation programme. The author has emphasised that indigenous development of defence technology will have to be developed adequately giving up slow modernisation process and conventional adherence to the British technology in this regard. R & D requires boosting up as that happens to be the basis of all progress. In view of developing political and military environment in the neighbourhood and also because of growing requirements of military equipment in the Third World countries which is bound to go up steeply in the near future, India will have to broaden her existing production base of defence industries. The author is of the opinion that it is here that the private sector can be called upon to supplement the government efforts which by themselves would prove clearly inadequate, especially if export market for defence equipment is to be fully exploited with a view to increasing the scale of operations and cutting down costs of production. There is also considerable excess capacity in many private sector industrial units which may well be harnessed fruitfully to the defence of the country and to the advantage of the private sector. The author, therefore, has rightly emphasised that defence production policy will need to be revised for permitting defence production in the civilian sector, in the interest of larger production, export potential, better utilisation of resources and greater efficiency.

push to economy

Such a policy is likely to help not only the defence sector but the national economy as well. In this connection, the author has demonstrated the development of the military-industrial complex in the USA and the lessons India can learn from that development. While India may not borrow everything from the existing monolithic military-industrial complex in the USA, the fact remains that since India has accepted the pattern of a mixed economy wherein a dynamic private sector has already shown its tremendous vitality in spite of various hurdles and constraints in its way, there will have to be a mutually supplementary role for the private and public sectors in such an important matter as defence production instead of backstabbing that appears to go on at present.

The reading of this book raises some very important issues. It shows the vast

imensions of the study of defence pro-lems, and the vital importance of the tudy. It also shows the utter inability and ailure of practically all the universities in ndia to appreciate the importance of the tudy of defence problems and introduce his subject with a view to having its conti-nuing and up-to-date study. While many niversities, old and new, have resources or studying archaic subjects which should ave lower priority in a developing country like India, none has either shown the vision or taken steps to establish a faculty dealing with defence problems of the country. This excellent book by Rajesh K. Agarwal should stimulate such a movement in the country. Would R.K. Agarwal with his vision and competence which are evident in this book be in a position to spearhead such a movement with the aid of Birla Institute of Scientific Research?

Public sector enterprises

Management of Public Enterprises : B.C. Tandon; Chaitanya Publishing House, Allahabad; Pp 200; Price Rs 25.

Reviewed by : **O.P. Raswant**

The book, *Management of Public enterprises*, deals with some of the basic issues relating to the increased role of public enterprises in India, the pattern of general management, financial management, pricing and profitability, autonomy, accountability, decision-making, professional management and management by motivation. Often the question arises as to why it is that the role of public enterprises has considerably increased in the modern period? Why is it that functional boards are more important than policy boards? Why is it that some times the size of the board is small and some other times it should be large? These and many such questions have been dealt with by Dr Tandon. The study of the pattern of financial management is usefully divided into administrative machinery and management offunds and investments. The author is rightly of the view that a sound principle of efficient working of a public sector undertaking is that it must pay as much attention as does a private sector undertaking to its cost of production in an endeavour to keep it down to the minimum. Dr Tandon further elaborates the point and stresses that public sector undertakings should see to it that whatever they produce is sold which means that they should pay as much attention to 'demand management' as a private sector enterprise does.

Writing on accountability, Dr Tandon concludes that public sector enterprises should be required by law to render accounts at stated intervals and normally each year to the legislature. They should regularly publish information for their own employees and for outsiders. They should consult from time to time various bodies of the consumers and general public regarding matters concerning administration and management. The author strongly feels that there should be adequate improvement in the system of audit, proper coordination at the ministerial level and regular and timely comparisons of the achievment of efficiency of one enterprise with other enterprises in India and abroad.

In a chapter on decision-making in public enterprises, the various factors which pull their weight towards centralised decision-making have been examined by the author and a procedure which may bring an enterprise under a decision-decentalised system of management has been suggested by the author.

Good value for money

Manorama Year Book 1978: Editor-in-Chief K.M. Mathew; Manorama Publishing House, P.B. No. 26, Kottayam, 686001, Kerala; Pp 880; Price Rs 15.

This encyclopaedia is good value for money. Now in its thirteenth year, this series of yearbooks has established a reputation for accuracy and comprehensiveness. The editorial practice of making improvements and innovations continues. For instance, the latest edition includes a comparative study of the development of Indian states with relevant statistical details. The special feature for this issue is on genes, written by Dr Venkatavaradhan of the Tata Institute of Fundamental Research, Bombay. This is a successful attempt to explain to the gener reader what genes are and what they do.

Books received

India's Economic Relations with US & USSR: Sadhan Mukerjee; Published b Sterling Publishers Private Ltd., Ne Delhi-16; Pp 365; Price Rs 75.

Report of the Committee on Industry an Rural Development: Published by th Associated Chambers of Commerce & Industry of India, New Delhi; Pp 190 Price Rs 25.

Second India Studies — Transport Madhoo Pavaskar; Published by Popula Prakashan, Bombay; Pp 103; Price Rs 30

Second India Studies—Communications Madhoo Pavaskar; Published by Popula Prakashan, Bombay; Pp 100; Price Rs 30

The Power Sector in India: Dilee M. Wagle and N.V. Rao; Published b Popular Prakashan, Bombay; Pp 131 Price Rs 40.

Problems of Higher Education in India K.L. Joshi; Published by Popular Prakashan, Bombay; Pp 308; Price Rs 18.

Urban Mobility: P.G. Patankar; Published by Popular Prakashan, Bombay; Pp 148; Price Rs 75.

Corporate Planning: A Management Tool: Olaf Kleine and Rakesh Kumar; Published by National Productivity Council, New Delhi; Pp 319; Price Rs 70.

Defence Production and Development: Rajesh K. Agarwal; Published by Gulab Vizarani for Arnold Heinemann Publishers, Safdarjang Enclave, ND 16

Rural Development in Action: Uma Kant Srivastava & P.S. George; Published by Somaiya Publications Pvt Ltd. New Delhi; Pp 202; Price Rs 45.

Management of Public Enterprises: B.C. Tandon; Published by Chaitanya Publishing House, Allahabad; Pp 200; Price Rs 25.

Practical Problems in Statistics: N.L. Garg; Published by B.M. Maheshwari; Ramesh Book Depot, Tripolia Bazaar, Jaipur; Pp 1064; Price Rs 27.

Dadabhai Naoroji Correspondence—Vol II Part I: R.P. Patwardhan; Published by Allied Publishers Pvt Ltd, New Delhi; Pp 429; Price Rs 100.

Dadabhai Naoroji Correspondence—Vol II Part II: R.P. Patwardhan; Published by Allied Publishers Pvt Ltd, New Delhi; Pp 431 to 909; Price Rs 100.

Readers' Roundtable

Effects of interest tax withdrawal

SIR, THE Finance minister, while presenting the budget for 1978-79, had proposed to withdraw interest-tax levy after February 28, 1978 and revenue loss on this account is estimated at Rs 108 crores.

The interest-tax is charged at the rate of seven per cent on the gross amount of interest earned by a 'scheduled bank' on loans and advances made by it in India under the Interest-tax Act, 1974, The 'scheduled banks' liable for interest-tax imposition are: (a) State Bank of India and its seven subsidiary banks, (b) 14 nationalised banks, (c) 14 state co-operative banks and (d) 53 banking companies including 13 foreign banks.

The interest tax payable by a bank is allowed as a deduction, while computing its total income for tax assessment purpose under the Income-tax Act, 1961. The income tax revenue loss, because of the aforesaid deduction may be estimated at 58 per cent of gross interest tax collections, on an average basis, after taking into consideration various factors: (a) Different rates of tax, as prescribed by the annual Finance Act, applicable in tax assessments of the banks under the Income-tax Act, (b) certain provisions of the Income-tax Act and (c) interest income earned by the banks.

Rise in collection

The Finance minister, while announcing his proposal to withdraw interest-tax levy and estimating the loss therefrom at Rs 108 crores, does not appear to have taken into consideration the consequential rise in income-tax collections for reasons of there being no interest-tax charge nor any deduction with respect thereto in computation of taxable income under the Income-tax Act. The tax revenue gain on this account may be estimated at more than sixty crores of rupees (58 per cent of Rs 108 crores). The aforesaid aspect of interest tax withdrawal proposal does not find any mention in the Finance minister's speech so far as his proposals on direct taxes are concerned.

Massive dose

The Finance minister, in his attempt to reduce the heavy budgetary gap, has given a massive dose of fresh taxes to the nation and the additional resources accruing to the revenue from the same (and from enhanced compulsory deposit as well) are estimated at Rs 549.5 crores. Will he now review his budget proposals in view of non-consideration of the above-mentioned income-tax revenue gain of (say) 60 crores of rupees and also the reason that the actual receipts from the new tax levies in the ensuing financial year are likely to exceed the budget estimates, according to financial sources. The budget proposals are bound to push up the prices further and a substantial relief in this behalf to the tune of Rs 150/200 crores is needed.

The loss of interest-tax mentioned in the Finance minister's speech is obviously that of Interest tax that would have been collected otherwise, in advance during the financial year 1978-79 and liable for consideration of regular tax assessment in the assessment year 1979-80. And likewise the consequential income tax gain is that of Income Tax payable in advance during the financial year 1978-79 to be considered in regular tax assessment in the assessment year 1979-80.

The consequential income tax gain would flow in the routine course on the banks sending estimates of their higher current income and paying enhanced advance income tax thereon accordingly during the financial year 1978-79. However, certain banks paying advance income tax, calculated with reference to total income (arrived at after allowing interest tax deduction) assessed for the latest asessment year 1975-76, 1976-77, or 1977-78, as the case may be, may defer the payment of enhanced advanced income tax (attributable to interest tax deduction allowed in the latest assessment) and running into crores of rupees till the submission of return of income in the assessment year 1979-80; the advance tax paid in the aforesaid manner, being within the permissible margin of enhanced advance tax payable, would be found in order under the income tax law.

The base

Such process of deferring payment of advance tax, attributable to interest tax deduction, till the submission of return of income in the assessment year would continue so long as the base for payment of advance tax is the total income (computed after allowing interest tax deduction) assessed for the latest assessment year for which interest tax is chargable under the Interest Tax Act.

Certain changes in the provision of the Income-tax Act, 1961 relating to advance tax are proposed to be made by the Finance Bill, 1978, introduced in Lok Sabha on February 28, 1978 along with the budget. It is suggested that the advance tax provisions may be further modified so as to ensure that the payment of advance tax is not deferred to a later date as pointed out above.

Obvious result

There are introduced, from time to time, certain changes in the Income Tax Act in relation to computation of total income for regular assessment purpose and, while doing so, the consequential effect of the contemplated changes on advance tax is not kept in mind and no appropriate provision with respect thereto made in the Income Tax Law. And the obvious result is that advance income tax (now an integral part of budget) is not properly considered for budgetary purposes, and is, amongst others, a factor (remaining unnoticed, so far) responsible for a big variation, sometimes, between 'budget estimates' of income-tax receipts and 'accounts' thereof.

In the end, I may say that it is not uncommon to observe, while the affairs of the centre and states are administrated, lapses in relation to budget ('vote on account' and 'regular' both), taxation and other financial matters under the constitution and/or laws made with respect thereto. Finance is the life of the nation, and a proper study and understanding of the relevant provisions of the constitution and the laws on the matters referred to earlier, in their true perspectives and the mechanical operation thereof as well, is imperative.

Amritsar, R. L. Khosla.
March 24, 1978

TRADE WINDS

Date of Licensing of Jute Trade Extended

THE MINISTRY of Industry decided to extend the date of commencement of licensing of raw jute trade in the country by another fortnight. According to the present orders, all dealers of raw jute are obliged to take licences from the appropriate authorities and it would be illegal for any one to deal in raw jute without such a licence from the midnight of March 31. The chief minister of West Bengal had specifically requested for an extension of time because the number of applications received by the state government are so large that it would not be possible to issue licences to all the applicants within the time limit prescribed. Pending further discussion between the chief minister of West Bengal and the minister of Industry, it has been decided provisionally to extend the date of licensing which will now become effective from April 15, 1978. The Jute Commissioner is formally notifying this extension in the gazette.

Air-India and Indian Airlines

Both Air-India and Indian Airlines earned record profits in 1976-77. Air-India made a profit of Rs 17.59 crores and Indian Airlines Rs 20.74 crores. According to the annual reports of the two airlines for 1976-77, presented to Lok Sabha recently, Air-India's profit of Rs 17.59 crores was the highest since the inception of the corporation, compared to the earlier record profit of Rs 6.35 crores in 1975-76. This remarkable progress was achieved in the face of severe competition in the industry by ensuring flexibility of operations, aggressive marketing to improve load factor and market shares, an optimum mix of high-yield and low-yield traffic and a substantial increase of capacity on the more remunerative routes. The higher profits were also partly due to an improvement in the state of world airline industry and increase in IATA fares.

Indian Airlines

Indian Airlines increased its total revenue from Rs 111.17 crores in 1975-76 to Rs 132.35 crores in 1976-77 registering a growth of 19.5 per cent. The increase in expenditure was held at 8.4 per cent from Rs 103.38 crores in 1975-76 to Rs 112.11 crores in 1976-77, resulting in a net surplus of Rs 20.74 crores as compared to Rs 7.79 crores in the previous year.

The report said that in spite of the spiralling fuel prices and worldwide inflationary trends, Indian Airlines was able to hold the fare structure as of February 1974. While not more than one-third of the routes operated by the corporation were remunerative, the airline did not receive any additional capital from the government during the year. The report said the airline was not able, since 1974-75, to realise any subsidies or subventions from the Civil Aviation Development Fund in respect of certain specific services and routes operated on considerations exclusively of regional development or tourism. Provision made for this in the previous years amounted to Rs 1.87 crores. The airline proposes to pursue this matter with the government.

The foreign exchange earnings of Indian Airlines touched an all-time high of Rs 28.60 crores in 1976-77. As against this, the outgo of foreign exchange on revenue account including payment for spares and interest on loans, amounted to Rs 15.36 crores leaving a revenue surplus of Rs 13.24 crores.

The net foreign exchange earned and saved by Air-India during 1976-77, computed on the basis of the formula approved by the government, was Rs 44.57 crores as against Rs 31.17 crores during 1975-76.

A significant event for Indian Airlines was the induction of Airbus which marked the beginning of a new era in the country's aviation history. The passenger seat factor in the year was over 70 per cent and the number of passengers carried on the network came to about four million, the highest so far.

HMT Contract in Algeria

Hindustan Machine Tools have bagged a Rs 9.6 crores export service contract with an Algerian firm for installing a plant to manufacture water gas meters and gas regulators.

According to its chairman, Dr S.M. Patil, the contract has been secured in spite of stiff competition from various multinationals. The two-and-a-half year contract with Sonelgaz, a public sector Algerian firm, includes the purchase of machinery worth about Rs 1 crores from India. It also incorporates a fee of Rs 3.6 crores for services rendered. An 80 member team from India will take up the job from scratch and will chalk out a production schedule, do materials planning and conduct a market survey for the products. Eventually the team will train Algerians to run the plant by themselves which means technology export. HMT also plans to increase its watch manufacturing capacity to six million pieces within the next five years. As part of this programme, a Rs 30-crore watch plant is being set up in Tumkur, near Bangalore. An additional two million watches are expected to be produced by 1980.

Simplified Excise Procedure

The scheme for levy of central excise duty on specified goods manufactured by small units, popularly known as the 'Simplified Procedure', was introduced with effect from March 1, 1976 on 46 commodities specified in the ministry of Finance (Department of Revenue & Banking) notification. As a part of the concessions granted in connection with the budget for 1978-79 as many as 35 of the above 46 commodities have been exempted from central excise duty on clearance up to Rs 5 lakhs during the financial year subject to the necessary conditions being fulfilled. It has accordingly been decided to delete from the scope of the Simplified Procedure these 35 items as well as five others in respect of which that procedure has become redundant. Accordingly, with effect from April 1, 1978, the simplified procedure will be applicable to only six commodities. (i) Tea

tariff item No 3) (ii) Cotton yarn (tariff item No 18A) (iii) Cotton fabric (tariff item No 19) (iv) Woollen fabrics (tariff item No 21) (v) Copper and copper alloy (tariff item No 26A) (vi) Wireless receiving sets (tariff item No 33A). The other commodities, which have been removed from the scope of the simplified procedure, will be subject to "Production Based Control" with effect from April 1, 1978. Licensees of units which will be going out of the simplified procedure will be expected to declare to the proper central excise officer their stocks of fully manufactured goods as at mid-night of March 31, 1978.

Indo-Malaysian Cooperation

On the invitation of the minister of External Affairs of India, the minister of Foreign Affairs of Malaysia, Tengku Ahmad Rithuaddeen, paid an official visit to India from March 29 to April 1, 1978.

During his visit, the Foreign minister of Malaysia exchanged views on bilateral relations as well as current international and regional issues of common interest with Indian leaders. Both sides noted with satisfaction the continuing consolidation of their bilateral relations and progress in friendly cooperation between Malaysia and India in different fields, a testimony to the long historical and cultural ties between the two countries. They reaffirmed the determination of their governments to further strengthen and expand economic, cultural and other ties between the two countries. As a manifestation of this desire, the two ministers welcomed the signing of the cultural agreement during the visit.

The two sides recognised that economic development in a climate of peace was the overridding desire of all countries in south and south-east Asia. They agreed that regional and sub-regional cooperation in Asia would countribute to the consolidation of political and economic independence of the countries of the region and would promote peace, progress and stability in the region. In this respect, the two ministers recognised the importance of ASEAN in promoting economic, cultural and social cooperation in south-east Asia.

Reviewing the situation in the Indian Ocean, the two ministers urged all great powers and major maritime users to extend their full cooperation to the littoral and hinterland states in the implementation of the UN proposals declaring Indian Ocean as a Zone of Peace, free from tension and great-power rivalry. They welcomed the talks between the USA and the USSR on limitation of their naval presence in the Indian Ocean as a first step in this direction.

Non-Banking Financial Companies

The directions issued by the Reserve Bank to non-banking financial companies (i.e. hire-purchase finance, housing finance, investment, loan and mutual benefit financial companies) have been extended to all other companies, which are financial institutions not covered under the existing directions, with effect from March 31, 1978.

The maximum period for which deposits may be accepted/renewed by these companies will be restricted to 36 months as in the case of hire-purchase finance, loan and investment companies. There is, however, no change in the minimum period for acceptance of deposits which is six months. These companies will be treated on par with loan companies insofar as the ceiling limits for acceptance of deposits are concerned. In other words, these companies can accept deposits upto 25 per cent of their net owned funds in respect of conventional deposits and another 15 per cent by way of unsecured loans guaranteed by directors, deposits from shareholders (not being deposits received by a private limited company from its shareholders subject to the requisite declaration) and deposits raised against clean debentures.

42 New Trains

Railways have introduced 42 new trains, extended runs of another 27 trains and speeded up 78 trains from April 1, 1978 when the new time-table came into force. The new trains introduced include 17 on broadgauge and nine on metre-gauge whereas 16 are suburban trains. One of the important new trains runs between Ahmedabad and Madras beach. This will meet a long-standing demand of the sizeable populations from Gujarat and south settled in south and Gujarat respectively. Another important train introduced from April 1 is an overnight express train between Ahmedabad and Udaipur city via Himmatnagar. This is the first fast train on this route and will also provide impetus to tourist traffic from western India. Some of the other trains introduced are Bhusaval-Nagpur passenger, Burdwan-Asansol passenger, New-Jalpaiguri-Haldibari passenger, Mokameh-Barauni passenger, Sadulpur-Hissar passenger, Palampur-Disa passenger.

The sixteen new trains introduced on the sub-urban sections will all serve commuters in and around Calcutta. The Bombay-Cochin Jayanti Janata Expresses has been extended up to Trivandrum Central thus fulfilling the long-felt need for a direct train from Trivandrum to Bombay, connecting these important state capitals. Notable among the other trains whose runs are being extended are 127/128 Mathura-Bayana passenger upto Agra Fort; 51/52 Ahmedabad-Bechrane passenger up to Ranuj; and 373/374 Gondia-Tharsa passenger up to Durg. Runs of seven existing sub-urban trains are being extended in Calcutta area. In Madras area, the Ponneri-Madras local is being extended up to Gummidipundi. From April 1, 1978, the frequency of 133/134 Howrah-Ahmedabad Express is being increased from biweekly to triweekly.

IDBI

Finance minister, H.M. Patel admitted in the Lok Sabha recently that the flow of funds from public financial institutions in some of the states in the eastern region was low but it was because of lack of several factors including entrepreneurial talents. Mr Patel added that the assistance from the Industrial Development Bank of India (IDBI) had increased during the last four years. Assistance by public financial institutions to the eastern region was Rs 340.25 crores in 1977 as compared to Rs 158.41 crores in previous year. West Bengal naturally was the beneficiary of more than 50 per cent of the sanctions and disbursals because that was more developed than others in the region, the Finance minister pointed out.

Mr Patel disclosed that he had received a letter from West

ngal industries minister seek- clarifications in regard to policy of public financial titutions in sanctioning loans. e IDBI had always aimed at oviding, within the broad licy guidelines, financial sistances to all the projects vhich are technically feasible, onomically viable and gene- lly in conformity with the ational priorities." The inance minister said in order promote balanced industrial rowth as between the states nd the areas in different states, DBI had introduced a scheme 1970 of concessional finance or units being set up in back- ard areas.

Mr Patel said the amount anctioned for north-eastern egion was Rs 5.26 crores bet- veen July 1976 and June 1977. n the same period amount anctioned for eastern region omprising Bihar, Orissa, ikkim and West Bengal was Rs 89.17 crores. This had to e viewed in the context of nvestment made in the public ector enterprises in the region, Mr Patel pointed out.

Offshore Exploration in Mahanadi Basin

Oil India (OIL) entered into an agreement with Messrs Delta Exploration Company Inc. USA, to complete its seismic surveys including gravity and magnetic works programme in the 12,000 sq km of offshore concession in the Bay of Bengal adjacent to the Orissa coast in Mahanadi Basin at a cost of about/over Rs 60 lakhs. The agreement was signed on behalf of Oil India (OIL) by its managing director, Mr C.R. Jagannathan and for Delta by Mr R. Wayne Carpenter, its vice-president. Delta propose to deploy its seismic survey vessel, M/v Riodas Contas, in the area early next month for a preliminary 3000 line kilometres of seismic survey work with possible additional 1500 line kilometres of surveys. The vessel is fitted with digital seismic recordings, Doppler Sonar equipment and will be guided by satellite navigation.

Electricity from Concorde Engine

The Rolls-Royce engine that propels the Concorde jetliner at twice the speed of sound is now to be turned over to producing electricity on the ground. As the most powerful aero-engine yet to be used for industrial purposes, it will be capable of producing enough electricity to supply a town or city of more than 40,000 people. Rolls-Royce already produces industrial and marine jets that are broadly based on the Olympus-593 engine developed for the Concorde, but these are smaller in size and power than the new unit, which is simply a modified version of that used in the supersonic airliner. It is to be built on the same production line on which Concorde engines were assembled. The UK company's industrial and marine division says the three-tonne engine will be by far the most powerful aero-derived industrial unit available. Whereas it is designed to produce 50,000 kilowatts of electricity, the next largest is an American jet producing something like 35,000 kilowatts.

Joint Ventures with Japan

The possibilities of production cooperation and joint ventures with Japan in third countries were discussed when Mr Elichi Hashimoto, chairman of the India Committee for Japan called on Mr Mohan Dharia, minister for Commerce, Civil Supplies and Cooperation recently.

Indicating the broad framework of India's policy towards collaboration with other countries, Mr Dharia said that the purpose was to enlarge the agricultural industrial infrastructure in the country as well to create more employment for our people. The possibilities of India's participation in Japanese ventures in the oil-rich gulf countries also figured in the discussion.

The two-way trade has steadily increased during the last two decades. Main items of exports to Japan are fish fresh and simply preserved, cashew kernel, raw cotton, iron-ore, leather and precious and semi-precious stones. Imports from Japan consist mainly of iron and steel, fertilizers, chemicals, synthetic fibres, electrical and non-electric material and plastic materials.

Sugar Price

In the light of market trends, the government of India has decided to reduce the tariff value for free sale sugar from Rs 270 per quintal to Rs 250 per quintal, with effect from April 1, 1978.

Coal for Cement Plants

A standing committee for coordination of coal supply to cement plants has been set up, comprising senior officials of the ministries of Energy, Industry and Railways. This has been done as a follow-up action of the meeting held recently between the ministers of these three ministries. The members of the committee are: Mr M. Jha, director, department of Coal, Mr S.M. Chakravarty, director, ministry of Industry and Mr S.N. Sachdeva, director, Railway Board. Coal production and coal stocks have been rising steadily over the last few months and pithead coal stood at nearly 12.5 million tonnes, equivalent to over 4 days' production. This is on million tonnes more than o March 1 this year.

GIIC

Gujarat Industrial Invest ment Corporation (GIIC) ha recently sanctioned financia assistance of over Rs 91 lakhs t seven industrial units generating an investment of about Rs 2.22 crores. The financial assistance sanctioned comprises addi- tional loan of over Rs 45 lakhs to five industrial units fo their expansion programmes, and about Rs 46 lakhs for two new industrial units. It would generate investment of Rs 129 lakhs in the backward areas

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.

Regd. Office

BIRLAGRAM, NAGDA (MP)

Notice

NOTICE is hereby given that an Extra Ordinary General Meeting of the Shareholders of the Company will be held at its Registered Office at Birlagram, Nagda (M.P.) on Saturday, the 29th day of April, 1978 at 11.00 A.M. to transact the business mentioned in the Notice dated 1st April, 1978 separately posted to the Shareholders of the Company individually at their registered addresses.

The explanatory statement as required under Section 173 of the Companies Act, 1956 is annexed to the Notice.

NOTE

A member entitled to vote at the above meeting is entitled to appoint a proxy to attend and vote instead of Himself and the proxy need not be a member of the company.

By ORDER OF THE BOARD
B.N. PURANMALKA
Secretary

5th April, 1978.

and about Rs 93 lakhs in the other areas of the state. The share of investment generation in the centrally notified backward districts would be of the order of Rs 105 lakhs. Among the projects sanctioned financial assistance, there is a chemical plant fabrication and manufacturing unit in Ahmedabad, a foreign collaborated textile machinery manufacturing unit in Surat district, a fuel injection equipment producing unit in Rajkot, a mild steel forging unit at Ankleshwar and an industrial jewels manufacturing unit at Bhavnagar for their expansion programmes.

Exchange Rates

Members of the International Monetary Fund (IMF) have agreed to give the Fund wide new powers over exchange rate practices, to abolish the official price of gold and to increase use of the IMF's Special Drawing Rights (SDR). More than 60 per cent of the Fund's 130 members, representing over 80 per cent of the voting power within the Fund, have now ratified the changes. The Special Drawing Rights is the fund's internal accounting unit. The agreement comes in the form of ratification of the second amendment to the fund's articles of agreement.

Ceiling Rate on Advances

In regard to credit for food procurement under the banks' consortium arrangement, the rate of interest will be governed by the instructions given by the Reserve Bank to the scheduled banks from time to time. The rate of interest on advances to the Food Corporation of India as well as to the state governments and their agencies for public procurement and distribution of foodgrains has been reduced from 12 per cent to 11 per cent per annum with effect from March 1, 1978.

Indo-Soviet Tourist Traffic

A three member delegation from Intourist, Moscow came to this country to negotiate with Indian travel agents, rates and programmes for the Soviet tourists visiting India in 1979 and also to promote Indian tourist traffic to USSR. Mr A. Bonder, leader of the delegation and Mr G. Naqshband, director of SITA World Travel, signed a protocol whereby Intourist will entrust to SITA, the handling of 2,000 Soviet tourists. The Soviet delegation expected reciprocity from the Indian travel agents by sending Indian tourists to USSR, particularly now that the restriction on the Indians have been relaxed for travel abroad.

Kandla Free Trade Zone

Various steps taken by central government and the government of Gujarat are responsible for the rapid development of the Kandla Free Trade Zone which had teething trouble for quite a few years in the initial stages. A well thought out strategy launched in 1974 for the development of Kandla Free Trade Zone (KAFTZ) has started paying dividends. The exports from the zone have steadily been increasing in the last four years. As against an export of Rs 180 lakhs in 1974-75, the total exports in the current financial year ending March 31, 1978 amount to Rs 475 lakhs. This marks an increase of 35 per cent over the exports of Rs 352 lakhs in the last year. The number of working units has also been steadily increasing and at present there are 38 working units and another 27 have been approved. The more encouraging feature of the development of the zone is that some of the well-known industrial houses of the country such as Wimco Ltd, Dodsal Pvt Ltd, Chemicoat and Hanskpanit Pvt Ltd are in an advanced stage of implementation of their projects. About half-a-dozen proposals for setting up industrial units with foreign collaboration have also been approved, 12 more units are likely to start production within a period of one year—bringing the total number of working units to 50.

Changes in US Trade Preferences

President Carter has approved a number of changes in the list of items certain developing countries can export to the United States duty-free under the Generalized System of Preferences (GSP). The changes in eligibility were triggered by shifting trade figures and were determined as part of a regular annual review.

Announcing the changes on March 1, the president's special representative for trade negotiations, Ambassador Robert Strauss, said that 11 items amounting to some $ 48.5 million in trade are being added to the system for the first time. Under US law, a single item can be imported duty-free from a given developing country only so long as 1977 imports of that item from that country do not exceed $ 33.4 million or 50 per cent of total US imports of that item for the year. During 1977, 320 items accounting for $ 488 million of the US imports from certain countries exceeded these limitations, and were deleted from the list of products that can be imported duty-free from those particular countries. This compares with 318 items in the previous year.

As many as 115 items for which US imports exceeded mandatory GSP ceilings in 1976, but not in 1977, are being added to the eligible list for certain countries. The value of these imports dropped almost a third in the last year to $ 150.7 million. Over 75 per cent of the total value of US imports of the items added to the list is accounted for by five items: Corned beef from Argentina and Brazil (53.8 million dollars); feathers and ornamental articles from Taiwan (24.1 million dollars); unwrought copper from Yugoslavia (20 million dollars); toy animals from Hong Kong (11.3 million dollars); and electric luminescent lamps from Malaysia (6.8 million dollars). Other important items added to the list include unwrought lead, bullion from Mexico, black copper and copper wire from Chile, maize from Brazil, and frog meat and buffalo leather from India.

Names in the News

Mr. L. M. Thapar, chairman and managing director of Ballarpur Industries Ltd has been appointed by the president of India, chairman of the board of governors of Indian Institute of Technology, Kanpur for a three-year term.

Mr Rajnikant Purshotamdas and **Mr Purshotamdas F. Jhunjhunwala** have been elected as president and vice-president respectively of The East India Cotton Association Limited for the current year (1977-78).

COMPANY AFFAIRS

entury Spinning

ENTURY SPINNING'S cement vision has shown good re-lts during 1977 by stepping production from 568,678 nnes to 700,383 tonnes, hich is equivalent to 116.7 er cent of the licensed capa-ty. The government has ncreased the licensed capacity f the Maihar unit, which is nder erection, from 750,000 onnes to 800,000 tonnes per nnum of portland cement. roduction at this unit is ex-ected to commence before the nd of 1979. The company is eeking government of India's ermission to participate in the alm oil project in Malaysia. Necessary approvals from the Malaysian government have ince been obtained.

The other diversification schemes of the company, how-ever, have run into rough weather. It is now felt that the economics of the project for the manufacture of 20,000 tonnes each of rayon grade pulp, white printing paper and news-print, may be affected because the cost of imported pulp is now substantially lower due to heavy depreciation of the dollar vis-a-vis rupee. Moreover, in spite of protracted negotiations with the UP government, final decisions regarding the royalty rate for timber supply and other matters have as yet not been taken.

The electronics project of Century Electronics, promoted by the company, has run into difficulties because of the de-fault on the part of the collabo-rator, Chronar Corporation of the USA, to lift the goods as per orders placed by it, as also failure on its part to honour other commitments. Assembly operations at SEEPZ have been at a standstill since April 1977. The company has approached the centre for permission to sell modules and watches manufactured by it in the Indian market. The future of the project, as originally contemplated, has become uncertain and the public issue of shares has been deferred.

Uneconomical Prices

The Dubai caustic soda pro-ject is also being dropped, as a steep increase of power rate by the Dubai Electricity Board has rendered the scheme econo-mically unviable. Reviewing the working of the various divisions during 1977, the directors have stated that the textile mills experienced con-tinued rise in the cost of pro-duction and power-cut of 15 to 25 per cent. The controlled cloth obligation continued to be a heavy burden and slug-gishness of the cloth market kept prices at uneconomical levels. This division's exports increased from Rs 7.24 crore to Rs 9.07 crore. Industrial rela-tions at the rayon, tyre cord and other division at Kalyan improved following settle-ment of outstanding demands of workmen and staff at a con-siderable cost to the company, but the labour situation has not yet become normal. The rayon division witnessed two-way fluctuation in prices of rayon yarn. Since the end of 1977, however, prices are quite unremunerative. The volun-tary agreement between the spinners and weavers is now in abeyance because of uneco-nomical rates of rayon yarn. The company's tyre cord continues to enjoy good reputation both in India and abroad.

Union Carbide

Union Carbide India limited has shown a profit of Rs 6.85 crores during the year ended December 25, 1977. Profit after tax was Rs 4.95 crores as against Rs 5.22 crores a year before. This adverse result was due to industrial unrest affect-ing the operations of the com-pany. Performance in batteries and cases improved signifi-cantly during the year, but that on carbons, chemicals and plastics declined. Also, there were losses on shrimp opera-tions because of generally poor catches which improved only marginally during the latter part of the year. The directors recommended a dividend of Rs 1.60 per share, amounting to Rs 295 lakhs out of current year's profits.

Exports during the year were Rs 508 lakhs against Rs 491 lakhs last year, export of shrimp increasing to Rs 363 lakhs from the level of Rs 290 lakhs in 1976. The Electro-Chemical Research Laboratory at Calcutta undertook and suc-cessfully completed several developmenlal projects of which mention may be made of work on rotating high in-tensity cinema arc carbons, carbon bricks, special quality battery electrodes and benefica-tion of low grade manganese ore for upgrading to battery quality.

Construction work on the first phase of the MIC based pesticides project was complet-ed on schedule and production commenced during the year. The letter of Intent for produc-tion of 20,000 tonnes low density polyethylene was con-verted into an industrial licence. The gas and oil dis-coveries at Bombay High offer the company quite exciting investment and growth possibi-lities by virtue of its technical collaboration with Union Car-bide Corporation, USA, and the physical location of its facilities at Bombay. The company has submitted pro-posals to the government indicating its interest in the Bombay High gas fractions which the company was in a position to utilise with a mini-mum of modification to the existing equipment.

In terms of resolution passed at the shareholders' meeting held on October 11, 1977 a foreign currency loan equival-ent to Rs 247 lakhs has already been secured from ICICI. In compliance with FERA and other foreign equity dilution requirements, foreign equity in the company was reduced from 60 per cent to 50.9 per cent by an issue of 3,294,500 new equity shares of Rs 10 each at a premium of Rs 6 per share to the existing resident Indian shareholders, the emplo-yees and the financial institu-tions. The issue was over-subscribed.

Bharat Commerce

Bharat Commerce and Indus-tries Limited has recorded a net sales of Rs 55.54 crores during the year ended December 31, 1977 as against Rs 53.48 crores a year before, showing an in-crease of four per cent. A gross profit of Rs 1.12 crores during the year was nearly eight per cent higher than last year's profit of Rs 1.04 crores. An amount of Rs 71.96 lakhs (Rs 80.22 lakhs) has been de-ducted by way of depreciation. The investment allowance re-serve will absorb Rs 13.81

lakhs (15.48 lakhs). Net profit after these deductions and income-tax paid for earlier years comes to Rs 26.64 lakhs as against Rs 7.13 lakhs during the previous year. A sum of Rs 1.18 lakhs pertains to unclaimed dividends written back, and another sum of Rs 1.51 lakhs has been withdrawn from general reserve for payment of dividends. The directors have recommended the payment of dividends subject to deduction of tax at source. Devidend at the rate of rupee one is to be paid on equity shares of Rs 10 each and will absorb Rs 25 lakhs. Dividends at the rate of Rs 9.3 per cent on sceond redeemable cumulative preference shares will absorb Rs 1.80 lakhs. Similarly dividends at the rate of 9.50 per cent on third redeemable cumulative preference shares will absorb Rs 2.38 lakhs.

ACC

The Associated Cement Companies (ACC) has reported improvement in its performance. Its profits and profitability have been placed higher during the first half of its current accounting year than those in the corresponding period of last year. The company's profit for six months ended January 31, 1978 amounts to Rs 8.92 crores against Rs 6 crores for the corresponding period of last year. Its sales of cement have increased to Rs 69.93 crores against Rs 67.83 crores. Its total income amounted to Rs 72.51 crores against Rs 69.27 crores. The company's gross profit for the whole of 1976-77 amounted to Rs 15.40 crores on a total income of Rs 146 crores.

The sustained improvement in the profitability is attributed to unabated efforts for cost reduction and improvement in the efficiency. The sizable fall in interest burden to one crore rupees from Rs 1.91 crores in the first half of 1976-77 is also a factor in profit improvement. The management is, however, unable to forecast the results for the whole of 1977-78 in view of the re-emergence of factors such as wagon shortages, inadequate supplies of coal at some of the factories and increases in costs consequent upon the recent budgetary imposts. The company's tax liability will be lower and depreciation higher this year consequent upon higher rehabilitation and modernisation jobs scheduled for completion this year.

The company stepped up its dividend to 15 per cent for 1976-77 from 12 per cent paid for 1975-76. The company's net profit after tax for the first half of this year amounts to Rs 3.14 crores against Rs 1.94 crores for the comparable period of last year after providing Rs 2.04 crores (Rs 2.06 crores) for depreciation and Rs 3.74 crores (Rs 2.06 crores) for taxation. It earned a net profit of Rs 5.74 crores for the whole of 1976-77. The company's production of cement totalled 3.26 million tonnes and sales 3.17 million tonnes during the first half of this year against, 3.15 million tonnes and 3.12 million tonnes repectively in the corresponding period of last year.

Mahendra Electricals

Mahendra Electricals has recorded sales at Rs 1.52 crores for the year 1977. The directors have stepped up the equity, dividend from seven per cent to eight per cent. There was a fall in the company's profit, which was attributed to the low domestic prices resulting from demand recession and competition and the losses involved in exports which were made in spite of depressed conditions abroad and competition from all exporting countries. The company's exports in 1977 amounted to Rs 35.63 lakhs compared to Rs 45.01 lakhs in 1976 and Rs 33.96 lakhs in 1975. Meanwhile, the company has secured clearance in respect of capital goods import of the c.i.f. value of Rs 2.51 crores which will enable it to implement its expansion programme. It has also received consent of the Controller of Capital Issues for the issue of bonus shares.

Reliance Textile

Reliance Textile Industries, which had recently made a public offer of sale of its equity shares, has set for itself a sales target of Rs 100 crores for the current year to end in September 1978. A turnover of this order would yield a gross profit of about Rs 8 crores and enable the company to increase its reserves and surpluses, which stood at Rs 3.29 crores against a paid-up capital of Rs 5.95 crores at the end of 1976-77, to nearly Rs 6 crores. In these circumstances, there would be every possibility of a bonus issue of equity shares.

The company has already done better in the current year with its sales for the first half expected to touch the level of Rs 66.94 crores for the whole of 1976-77. The total turnover for the first half of 1976-77 was about Rs 31 crores. The gross profit of the first half of 1977-78 is placed at about Rs 3.25 crores compared to Rs 4.35 crores for the whole of 1976-77 and Rs 1.86 crores for the first half of that year.

Disclosing this at the annual meeting recently, the company's chairman stated that the steep increase in the import duty on polyester filament yarn from 120 per cent to 200 per cent and the increased exci burden on synthetic yarn an other raw materials would i crease the industry's cost c production. But the compan would be able to neutralis the impact of these factors b passing on to the consumer part of the increase and b achieving a higher efficiency.

Its expansion programm has already begun to reflect i the current working and its ful impact would be felt in the lat ter part of the year. The Rs 16.60 crore plan for estab lishing a worsted spinning plant with 12,500 spindles is expected to be completed by the end of the accounting year to conclude in September 1979. It will enable the company to reduce its tax liability and ploughback a substantial amount of profit.

Kunal Engineering

Kunal Engineering of the Kothari (Madras) group, which is presently engaged in the manufauture of high quality spindles for the textile industry has a plan to expand and diversify its activities with a view to enlarging its base and providing a bettr return to its shareholders. The proposal envisages the setting up of facilities for the manufacture of 500,000 high speed roller bearing inserts and an increase in the licensed spindle manufacturing capacity from the present level of 216,000 to 500,000 spindles. The company is confident that its entire production will be absorbed in the market without any difficulty.

Mr. D.C. Kothari, chairman of the company told newsmen in Bombay on Thursday that the Rs 3.07 crore project would be financed by equity share capital Rs 60 lakhs (Rs 30 lakns by way of rights being issued now and Rs 30 lakhs by way of a public issue

ring the latter part of the rrent year), internal cash neration Rs 32.15 lakhs, m loan Rs 184.85 lakhs, d unsecured deposits and rrowing Rs 30 lakhs. The ancial institutions, he said, d also underwritten the en- e public issue of Rs 30 lakhs view of the technical feasi- lity and economic viability the project. In the initial ears, the company, which ex- ects to commence trial pro- uction by December 1978, opes to earn an average nnual gross profit of about s 50 lakhs and during a year f full production Rs 80 lakhs. is confident of maintaining an nnual dividend of 15 per cent ven on the enlarged capital.

Nirlon

The working of Nirlon Synhetic Fibres and Chemicals n the current year ending March 1978 has been better han in 1976-77. The turnover in 1977-78 is expected to be higher at around Rs 58 crores against Rs 47.69 crores n 1976-77. The production of nylon and nylon tyre cord has been marginally higher than in the previous year, but that of polyester filament yarn has been substantially higher at 1,100 tonnes against 609 tonnes in the preceding year. The capacity of the nylon plant at Goregaon (Bombay) is 3,000 tonnes, of nylon tyre cord 2,200 tonne and of polyester filament yarn 2,000 tonnes per annum.

The company has received a licence to expand the capacity of nylon to 3,500 tonnes per annum. This expanded capacity is expected to be achieved by March, 1979. The enhanced import duty on polyester filament yarn in the recent budget is expected to help the company. The hike in the general excise duty is unlikely to have any significant impact on the company's working. For 1976-77, the company had paid an equity dividend of 18 per cent. The company's conveyor belting plant at Roha (Maharashtra) which has gone on stream, is expected to add Rs 6 crores to its turnover in 1978-79. Initially, this plant will manufacture cotton based conveyor belts. After a few months, it will start manufacturing nylon and polyester based conveyor belts. Later, the company will start manufacturing fan and V-belts.

Fit Tight Nuts

The chairman of Fit Tight Nuts and Bolts has told the shareholders that in the first half of the current year (October 1977 to March 1978) the company's progressive tempo has continued and sales have been higher than in the same period of the previous year. In view of the recent signs of improving production in the automobile industry, it is expected that the upward trend in sales will continue and that the company should show better results for the current year. The labour relations at both Bombay and Porbandar have improved and production at the latter plant has picked up. The diesel engine set imported for the Bombay plant is under erection and is expected to contribute to improving the production facilities. There is no diversification programme at present, but some new items are being introduced mainly for the automobile industry.

Synthetics and Chemicals

Synthetics and Chemicals Ltd, expects to improve its performance in 1978. Production in the first two months of the current year has been maintained at 4,256 tonnes but sales have gone up from Rs 4.21 crores to Rs 4.53 crores. As the supply of alcohol is expected to be satisfactory, the company is planning to have a record production of 30,000 tonnes against 27,328 tonnes in the previous year. Mr S.L. Kirloskar, chairman of the company, has, in his statement to shareholders, stressed the need for the rehabilitation and modernisation of the 15 year old plant at Bareilly. This will involve an expenditure of Rs 5 crores. He feels that various schemes of diversification, which are in different stages of development, are bound to improve the company's viability and earning capacity.

BALCO Pact

A formal agreement was signed recently between the public sector Bharat Aluminium Company (BALCO) and Aluminium Pechiney of France for carrying out the feasibility study to determine the techno-economic viability of setting up of a complex in Orissa comprising bauxite mines and alumina and aluminium plants based on the east-coast bauxite reserves. The capacity of the alumina plant will be 600,000 tonnes per annum while the capacity of the aluminium plant will be 160,000 tonnes per annum.

British Paints

British Paints (India) Ltd, has done well during the year 1977. The pretax profit has risen from Rs 89.69 lakhs to Rs 1.37 crores, after providing Rs 8.54 lakhs (Rs 8.16 lakhs) for depreciation. A taxable ordinary dividend of 17 per cent has been declared absorbing Rs 23.17 lakhs. Rs 92.07 lakhs (Rs 65,000) has been transferred from development rebate reserve. After adjustments, a sum of Rs 440 is carried forward, against Rs 665 brought in. The turnover rose from Rs 11.01 crores to Rs 13.22 crores.

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Integrated programme to meet socio-economic needs of villages

Equity support to small entrepreneurs

Shri P.C.D. Nambiar, Chairman, State Bank of India, stated in Hyderabad on Friday, the 31st March, 1978, that in keeping with the Union Government's economic policy the Bank had introduced in 1977 an Integrated Rural Development Programme on a pilot basis in 250 of its adopted villages. He was addressing the shareholders at the Bank's twenty-third annual general meeting.

Apart from provision of credit, Shri Nambiar said, the programme also envisaged the infrastructure so essential for the economic, social and cultural needs of the rural population.

The Chairman said, "It is only through an integrated approach to the problems of the village community that a perceptible improvement can be brought about in the living conditions of the rural population."

In order to assist new entrepreneurs, the State Bank Chairman announced two decisions: first, to organise programmes to motivate and train them to undertake risk-bearing economic activities, particularly in backward areas, and second, to give equity support to eligible entrepreneurs.

Shri P.C.D. Nambiar

Shri Nambiar said :

It gives me great pleasure to welcome you to the Twenty-third Annual General Meeting of the State Bank of India. This is the first opportunity I am having to address the shareholders as Chairman and also the first time that the annual general meeting is being held in Hyderabad. The Annual Report, including the Balance Sheet as at the 31st December 1977 and the Profit and Loss Account for 1977, is already in your hands. You will observe that during the year the Bank scaled new heights in terms of branch network, deposits as well as priority sector advances. The profits for 1977 were, however, marginally less than those for the previous year mainly due to higher staff costs and reduced yield on industrial advances.

Dividend

By declaring a dividend of Rs. 30 per share for the year 1976 the Bank had restored the average dividend for the years 1974, 1975 and 1976 to Rs. 23 per share. In other words, the shortfall in the dividend for 1974 was made good during 1975 and 1976. For 1977, we have returned to the dividend of Rs. 23 per share obtaining prior to 1974.

Capital Funds

With the objective of improving the ratio of the Bank's published capital funds to deposit liabilities, we have, since 1974, been effecting transfers from the accumulated inner reserves to published reserves. In 1977 also we have transferred a sum of Rs. 10 crores from the inner reserves to published reserves. This is in addition to the transfer of Rs. 6.4 crores to the Reserve Fund from the year's profits. By effecting these transfers the Bank's capital and reserves have improved from Rs. 27.53 crores as at the end of 1973 to Rs. 123.85 crores as at the end of 1977. We have thus maintained the ratio of capital and reserves to our deposit liabilities at 2.3 per cent.

Overall Performance

The Bank's overall performance in 1977 can be noted with satisfaction. It is true that in the field of deposits the Bank's performance and mobilising Rs. 830 crores fell short of the growth of Rs. 934 crores achieved in 1976, this subdued growth in deposits during 1977 being a general feature of the banking system as a whole. Your Bank's rate of deposit growth at 20.6 per cent was, however, considerably higher than 17.7 per cent recorded by all scheduled commercial banks.

As for branch expansion and lendings to the priority sectors, your Bank recorded considerable progress during the year 1977. The number of offices opened was 426; also, in furtherance of the policy of making our existing sub-offices serve as effective instruments of rural uplift, 198 of them were upgraded into branches against 123 in the previou year. Advances to agricultu increased by Rs. 156 crores against Rs. 89 crores in th previous year and to sma scale industries and small bus ness units by Rs. 124 crores against Rs. 88 crores in 197 Under the Differential Interes Rate (DIR) scheme our lendin increased by Rs. 9 crore bringing the percentage of DI lendings to 0,9 of the tota advances as at the end of th previous year. More than th third of our DIR lendings hav been extended to members o the scheduled castes and schedu led tribes. The priority secto advances which formed 25.5 per cent of the total advance as at the end of 1976 have bee stepped up to 31.25 per cent.

Integrated Rural Development

The main thrust of the Union Government's economic policy is towards removal of poverty and creation of employment opportunities through accelerated economic development of the rural sector, with special emphasis on agricultural production, cottage industries, small industries and arts and crafts. The Bank's contribution in this regard has so far been one of providing credit of agricultural development through well planned strategies like village adoption, area approach and opening of Agricultural Development Branches at selected centres. We have also been promoting rural and cottage industries. These efforts have had their impact in the desired direction, naturally without touching other facets of the rural economy like the provision of infrastructural facilities, health and sanitation. If our experience in agricultural lending is any guide, farmers expect the commercial banks

t only to play their role as rveyors of credit but also to t as catalysts in promoting e overall socio-economic velopment of their villages. 'e in the State Bank firmly elieve that it is only through n integrated approach to the roblems of the village commu- ty that a perceptible improve- ent can be brought about in ie living conditions of the ural population.

It is in this context that we ntroduced last year an Integra- ed Rural Development Pro- ramme on a pilot basis in 250 f our adopted villages. Apart rom provision of adequate redit to the various subseg- ients of the rural economy, he programme also envisages he creation of infrastructure o essential for the economic, ocial and cultural needs of the ural population. These include rrigation, housing, gobar gas lants, fair price shops, storage f agricultural produce, drink- ng water, education and pri- nary health. The basic assump- ion underlying the programme s an active involvement of the Bank with governmental, voluntary and financing agen- cies in the field.

A pre-requisite for achieving quick and at the same time sustaining results under a programme of this nature is a clear understanding and acceptance of areas of responsibility by the participating agencies. It is the Bank's responsibility to evolve a comprehensive village development plan, prepare bankable schemes covering as large a section of the village population as possible, provide adequate credit support for the schemes so drawn and ensure that the programme is implemented within a time-bound schedule. The governmental agencies in turn should assume responsibility for the creation of the necessary infrastructure, such as electrification, laying of roads and drainage systems and setting up of primary health centres. We also require the support of voluntary organisations in the matter of health and sanitation, adult literacy and family welfare.

It is a matter of prime importance that the efforts and resources of the various agencies should be deployed without overlapping so as to create the maximum impact and minimise the cost to the community. For this purpose, effective co-ordination among the various agencies—governmental, voluntary and financial—is imperative and such co-ordination can be achieved through a clear scheme-wise and area-wise approach on the part of these agencies. While the Government will have to provide infrastructural support to enable banks and other financing agencies to enlarge their coverage and improve the effectiveness of the assistance rendered by them, the financing agencies should dovetail the schemes and plans with the developmental programmes of the Government. The idea is that each agency should supplement the efforts of the others in specified areas and schemes and look to the programme as a joint endeavour directed towards a common purpose. Further the performance of the concerned agencies should be judged by the quality of effort and the impact created on the living conditions of the villagers and not measured merely in statistical terms, Then alone could the real objective of the programme be realised.

Further, this objective can be translated into reality only by creating an awareness in the minds of the farmers to improve their lot by conscious and active participation, which should be the responsibility of all the parties concerned.

Agricultural Finance

The rapid rural development envisaged by the Government signifies a challenge for commercial banks. The flow of bank credit to rural areas will have to be substantially stepped up in the coming years and the question is how best the commercial banks can discharge this crucial role. A great deal of discussion has already taken place on the role of commercial banks in extending direct finance to farmers. It is a settled issue that owing to operational and organisational constraints, commercial banks will not be able to make any significant breakthrough in rural credit through direct financing alone. Despite a phenomenal expansion of bank offices in rural areas during the last decade, the progress achieved in purveying credit, though statistically impressive, compares very unfavourably with the enormous need. Notwithstanding the enthusiasm of banks to extend all possible assistance to the weaker sections in rural areas, it is well-nigh impossible for them to cover millions of individual borrowers, particularly in far-flung areas, at a cost which the banking system and the community can bear. Further, in our country with its diverse natural and sociological conditions, identification of needy and deserving persons, preparation of bankable projects, assessment of credit needs and follow-up and supervision over the end-use of credit, all call for intimate local knowledge. The commercial banks must necessarily depend on the base-level credit outlets already existing in the cooperative structure in order to contribute effectively to the regeneration of the rural economy. It is for these reasons that we have been emphasising the need to encourage effective financial intermediaries like primary agricultural credit societies, farmers' service societies and multipurpose societies to channel the flow of credit.

Although banks have been implementing the scheme of financing through these societies for quite some time, their experience has not been altogether happy. While in some States the scheme has been successfully implemented, it has not made much headway elsewhere. Lack of proper management of societies and their reluctance to abide by the financial discipline of banks and to appoint full-time paid secretaries are some of the reasons responsible for the slow progress. Another reason is the existence of a large number of non-viable and dormant societies which have neither been liquidated nor merged into viable societies despite the efforts made by the Reserv Bank of India in recent year Further, for a variety of rea sons, not all State Governmen have favourably reacted to th question of ceding the societie to banks. While some ar totally averse to the idea, few have accepted it in princi ple without lending any posi tive support. Cooperative insti tutions too have failed to viev the utility of such an arrange ment in the right perspective The result is that commercia banks are in a dilemma i regard to lending to the agri cultural sector and if thi state of affairs is allowed t continue, the country's agri- cultural economy will suffer. I, therefore submit that for the commercial banks to play a purposeful role in providing adequate credit support for the speedy development of the country's agricultural economy it will be advisable to resolve these issues at an all-India conference of representatives of the Union Government, the Reserve Bank of India, State Governments, and commercial and cooperative banks.

Entrepreneurial Development

In view of the need to increase industrial production, reduce regional imbalances and provide employment opportunities, the utmost importance of encouraging the small scale sector has been recognised. In promoting the growth of this sector the Union Government have recently taken two significant steps. The first is the considerably increase in the number of items reserved for production in the small scale sector and the second the fiscal relief provided in the recent budget. It is necessary that banks which have taken to financing of small scale industries should supplement the Government's efforts.

It is clear that mere provision of infrastructural facilities will not achieve the purpose in view. Greater emphasis has to be placed on entrepreneurial development which can change the social and economic structure and uplift backward communities and areas. Studies made in this regard indicate

that entrepreneurial potential exists in almost all communities and regions. It should be possible to identify individuals with such potential and motivative and train them through properly organised programmes for undertaking risk bearing economic activities so that they become increasingly self-reliant and self-confident. This process includes creating awareness amongst the people about the opportunities available and providing them with the necessary support for establishing and running an enterprise. The Bank has, therefore decided to conduct entrepreneurial development programmes all over the country, particularly in the backward areas.

Equity Fund

Our experience during the last two decades has proved that despite the provision of infrastructural facilities and bank finance, a large number of small scale units suffer mainly because their initial investment by way of equity is low. The result is that their profitability is always poor and in times of adversity, more often than not, they become sick. Granting of additional finance, far from yielding the desired results, imposes an additional interest burden on the units. What is required is equity support to new small industrial units from the inception in order to enable them to withstand the vicissitudes. The State Bank has, therefore, decided to set up an Equity Fund with an initial contribution of Rs 1 crore from out of its profits with the objective of providing equity assistance to technically qualified entrepreneurs eligible for finance under the Bank's Entrepreneur Scheme as well as to other small industrialists who undergo the entrepreneurial development programme and seek our financial assistance. Preference will be given to units in backward areas, export oriented units or those producing import substitution items and tiny sector units in rural areas. We believe that such a step will increase not only investment in the small scale sector, but also employment opportunities and industrial production with benefit to the national economy.

In this connection it may be recalled that the committee to examine credit problems of small scale industries under the chairmanship of Shri I.C. Puri, had also recommended the setting up of a National Equity Fund. The recommendations of the committee are eported to be under the Union Government's consideration. While we have decided to set up an Equity Fund of our own, the broader issue of involving all the nationalised bank's in the matter of providing equity support to small scale industries needs to be explored.

Staff

While addressing the shareholders it has always been a pleasant duty for the Chairman to thank all members of the staff for their contribution to the bank's working. I do so now in all sincerity. I believe that without their willing cooperation and dedicated efforts the year 1977 would not have been one of significant progress for the Bank in different spheres of its activity. What I have in mind is their qualitative performance, particularly in identifying the institution with the community it is serving and in promoting innovative projects. These include non-financial activities of a nature which directly promote social welfare, such as medical and blood donation camps and literacy classes aimed at improving the quality of life of the people. I am proud to report that 50 members of our staff, one of them a lady, worked in the cyclone devastated areas of Andhra Pradesh and Tamil Nadu for a period of two weeks engaging themselves in relief operations. They did not flinch from manual work of various types such as building of huts, or even removal of dead bodies. For this purpose the Bank treated the period of their absence as social service leave. This I consider a small yet significant step towards active involvement of the staff in the implementation of the Bank's social policies and I am sure that in the event of such demands arising in the future, our staff will respond with equal enthusiasm.

During the last one year, the banking industry has had to bear a considerale increase in costs, mainly on account of the rising wage bill. The rising staff costs coupled with the impact of readily accepted social obligations are likely to result in a squeeze on our profits. It, therefore, becomes absolutely necessary to improve and maintain productivity of staff at a very high level in order to ensure that the ratio of staff costs to the total earnings of the Bank is maintained within reasonable limits. Every employees has a role to play in this regard and I would appeal to all members of the staff to think of ways and means of improving productivity and to put their thinking into action.

Changes in the Board

I would like to place on record our thanks to Shri T.R. Varadachary, who relinquished office in April 1977, for his able guidance and direction during his tenure of over 8 years on the Central Boar first as Managing Director an then as chairman. I would als like to place on record ou thanks to Dr S.M. Patil, D Sadasiv Misra, Prof A.K Biswas, Dr. D.S. Nag, Sh A.R. Bhat, Shri Sukumar Roy Capt. Jai Singh Rathore an Shri Ranchor Prasad, Direc tors of the Central Board, an to members of the Loca Boards of the Bank who relin quished office with effect fron the 1st February 1978. Shr H.C. Sarkar, who was appoint ed Managing Director of th Bank as from the 25th Ma 1977, relinquished office on th 29th October 1977 consequen on his appointment as Chair man and Managing Director o Bank of India. I place on record our thanks to Shr Sarkar for his valuable suppor during his tenure.

I welcome the new Directors of the Central Board and Members of the Local Boards I also welcome Shri V.S Natarajan, our new Managing Director.

Government of India
Ministry of Industry
Department of Industrial Development

Working Group on T.V. Glass Shells

Manufacturers of T.V. picture tubes and T.V. Sets as well as the general public interested in the development of the industry are invited to send their suggestions to the Working Group within a period of two weeks from the date of publication of this notice. Entrepreneurs intending to set up T.V. Glass Shells Projects are also requested to submit detailed proposals within this time limit. Proposals for the manufacture of T.V. Glass Shells should contain details of technology involved, location of the project, economic viability, financial arrangements and foreign collaboration if any.

All communications should be addressed to the undersigned.

Sd/-(YOGESH CHANDRA)
DIRECTOR
Member, Secretary,
Working Group on T.V. Glass Shells,
Room No. 253, Udyog Bhawan,
New Delhi.

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Government decisions on the Hathi committee report

A statement was laid on the table of Lok Sabha on March 29, 1978, by Mr H.N. Bahuguna, minister of Petroleum, Chemicals and Fertilizers, which outlined the government's decisions on the report of the (Hathi) Committee on Drugs and Pharmaceuticals Industry. It rejected the majority view of the committee that foreign firms should be nationalised. For the purposes of the Foreign Exchange Regulation Act (FERA), a drug company will now be deemed to be a foreign company if the direct foreign equity in it is above 40 per cent. However, the FERA guidelines and dilution formula applicable to all other industries would be applicable to the drugs industry also. While the prices of 100 drugs have been frozen for a year, five brand names have been abolished altogether.

Full text of the statement is given below :

THE FUNCTIONING and growth of the drugs and pharmaceuticals industry in India over the past few years had been engaging the attention of the government, particularly with a view to finding out ways and means to meet the growing requirements of drugs and pharmaceuticals in the country as well as the broad social objectives of providing quality drugs at fair prices. Questions about the performance of the public sector units, the role of multinational firms, licensing policy and prices were prominently raised in parliament also from time to time. Following a suggestion made in parliament, government of India set up, on February 8, 1974, a committee under the chairmanship of Mr Jaisukhlal Hathi and other members of parliament along with various officials and non-officials, to enquire into the various facets of the drugs industry in India. The terms of reference of this committee were as follows:

(i) To enquire into the progress made by the industry and the status achieved by it:

(ii) To recommend measures necessary to ensure that the public sector attains a leadership role in the manufacture of basic drugs and formulations, and in research and development;

(iii) To make recommendations for promoting the rapid growth of the drugs industry, and particularly of the Indian and small-scale industries sector. In making its recommendations the Hathi committee will keep in view the need for a balanced regional dispersal of the industry;

(iv) To examine the present arrangements for the flow of new technology into the industry and make recommendations therefor;

(v) To recommend measures for effective quality control of drugs, and for rendering assistance to small-scale units in this regard;

(vi) To examine the measures taken so far to reduce the prices of drugs to the consumer and to recommend such further measures as may be necessary to rationalise the prices of basic drugs and formulations;

(vii) To recommend measures for providing essential drugs and common household remedies to the general public, especially in the rural areas; and

(viii) To recommend institutional and other arrangements to ensure equitable distribution of basic drugs and raw materials, especially to the small scale sector.

Priority Basis

The Hathi committee submitted its report to government in April 1975. The report was laid on the tables of both houses of parliament in May 1975. After several discussions with representatives of the industry as well as several high level inter-ministerial consultations, the views of the cabinet committee, designated therefor, were put up to the cabinet in February 1977, but could not be considered. Immediately after the general elections of 1977, the minister for Petroleum, Chemicals and Fertilizers directed that the recommendations should be examined on priority, keeping in view the large number of representations received from various associations of the industry and allied sectors, as well as individual manufacturers.

A series of discussions were held by the minister with the following associations: (i) Indian Medical Association (IMA); (ii) Indian Drug Manufacturers Association (IDMA); (iii) Organisation of Pharmaceutical Producers of India (PPOI); (iv) All India Manufacturers Organisation (AIMO); (v) Indian Pharmaceutical Manufacturers Association (IPMA); (vi) Pharmaceutical and Allied Manufacturers Association (PAMDAL); and (vii) All India Chemists and Druggists Association.

A series of inter-ministerial meetings at high level were also held to review all points of view. The Foreign Exchange Regulation Act (FERA) committee also met specially to consider the recommendations concerning the future role of the foreign drug manufacturing companies. A special meeting of the consultative committee of the ministry of Chemicals and Fertilizers convened in November 1977 discussed exclusively the recommendations of the Hathi committee at considerable length. The draft recommendations which emerged from all these deliberations were directed by the cabinet to be considered by a cabinet committee on drugs.

Final Decision

The cabinet considered the conclusions of this cabinet committee and have taken a final decision on various recommendations at their meeting held on March 28, 1978.

The drugs and pharmaceuticals industry in India is one of the most important sectors

of the Indian economy—of crucial significance to the public health of the nation. In the last three decades since Independence, the industry has expanded considerably and India today has wide-ranging capability and production in basic drugs and formulations. From a production of Rs 10 crores 30 years ago, a production of Rs 150 crores of bulk drugs and Rs 700 crores of formulations has been achieved in 1976-77. There are over 2500 drug units, of which 128 are in the organised sector.

The break-up production of bulk drugs and formulations by various sectors of the industry in 1976-77 is as follows:

(Rs in crores)

	Bulk	Formulations
Public sector	48	47
Foreign sector	63	292
Indian sector (Private) including Small-scale sector	39	361
Total	150	700

Besides the above indigenous production, bulk drugs of a c.i.f. value of Rs 47 crores were also imported in 1976 77.

There are, today, 45 foreign drug companies where the direct and indirect foreign shareholding exceeds 40 per cent. The break-up is as follows:

Foreign equity exceeding 74 per cent	14
Foreign equity between 51 to 74 per cent	11
Foreign equity between 40 to 51 per cent	13

Besides the above 38 foreign companies, there are seven more companies which are either branches of foreign companies or with foreign equity above 40 per cent in other than organised sector. The break-up of these 45 companies, country-wise, is as follows:

USA	18
United Kingdom	13
Switzerland	6
Federal Republic of Germany	4
Others	4

The share of the foreign companies in the production of bulk drugs in the country in 1976-77 was 42 per cent, as against 40 per cent in 1975-76. In respect of formulations, the percentage was 41.7 in 1976-77 as against 53.8 in 1975-76. Overall, the share of foreign companies in the total production of bulk drugs and formulations was 51 per cent in 1975-76 as against 41.8 per cent in 1976-77.

Public Sector

Indian Drugs and Pharmaceuticals Ltd and Hindustan Antibiotics Ltd are the two public sector drug manufacturing units. In the year 1976-77, these units produced Rs 48 crores worth of bulk drugs and Rs 47 crores worth of formulations, amounting to 33 per cent and seven per cent respectively of the country's total production. It would, thus, be seen that while a third of the country's production of bulk drugs comes from the public sector, its share in formulations is negligible. The total investment in the public sector is, as of March 13, 1977, Indian Drugs and Pharmaceuticals Ltd Rs 116.73 crores and Hindustan Antibiotics Ltd Rs 15.61 crores.

Broad Objectives of the New Drugs Policy: The broad principles and objectives which government have kept in view in formulating the New Drugs Policy are as follows: (i) To develop self-reliance in drug technology; (ii) To provide a leadership role to the public sector; (iii) To aim at quick self-sufficiency in the output of drugs with a view to reduce the quantum of imports; (iv) To foster and encourage the growth of the Indian sector; (v) To ensure that the drugs are available in abundance in the country to meet the health needs of our people; (vi) To make drugs available at reasonable prices; (vii) To keep a careful watch on the quality of production and prevent adulteration and malpractices; (viii) To offer special incentives to firms which are engaged in research and development; and (ix) To provide other parameters to control, regulate and rejuvenate this industry as a whole, with particular reference to containing and channelizing the activity of foreign companies in accord with national objectives and priorities.

Broad Guidelines

New Drug Policy: The following policy on production and planning in the drugs industry and the role of the public sector therein has been approved by government: (i) The drugs open to licensing for (a) the public sector and (b) the Indian sector and (c) all sectors (including foreign companies) have been listed at Annexure I; (ii) The rate of growth of each sector will be carefully planned to avoid shortages; (iii) In considering industrial licence applications, however, preference will be given to Indian companies over MRTP units and foreign companies, and in that order. Economy of scale, technology and pricing of products, however, would be the deciding factors; (iv) In view of the growing export market for Indian drugs and pharmaceuticals, the ministry of Petroleum, Chemicals & Fertilizers will seek to so regulate production that required surplus for export also available; (v) The pub sector will be assigned a lea ing role in the production a distribution of drugs a pharmaceuticals. Adequa outlays will be provided achieve this objective; (vi) T public sector will be permitt to obtain the best technolo available to improve produc vity; (vii) The public sect would be encouraged earmark a suitable percentag of their net turnover fo R & D activities; (viii) For mulation capacity in the Med cal Stores Organisation unde the ministry of Health Family Welfare will be suitabl augmented; (ix) Institutes lik the CRI, Kasauli, BC Vaccine Institute, Madra Haffkine Institute, Bombay which are producing vaccines sera and antigens would b activised to accept a wide role for production and suppl of these categories of medi cines; (x) Public sector unit shall be planned to mee major requirements of drug for public health services; (xi The Indian drug manufac turers will be allowed formula tion licences up to 10 times o the value of their bulk drug production. In order to en courage consumption of indi genously produced bulk drugs, such formulation capacity would be sanctioned, provided the formulation turnover is based on a ratio of 2:1 between consumption of indigenous bulk drug and imported/cana lised bulk drugs; (xii) How ever, a case-by-case approach will be adopted in applying these ratios where Indian companies have made substantial investments for production of bulk drugs but actual production has yet to be achieved, because of the gestation periods, time-span for per-

on of technology, etc; (xiii) question whether Indian panies may be allowed to and formulation capacity ly, based on consumption of genous bulk drugs and ther restriction on expan- of formulation capacity be applied only where the ian companies are seeking orted bulk drugs, will be iewed after a year; (xiv) At sent, certain units in the anised sector are exempt m obtaining industrial nces, but are required to ister their activities with the GTD. With a view to ure the implementation of entire complex of decisions licensing etc in the drugs lustry, it is proposed that all its which are carrying on so with DGTD registration ly, would be required to tain industrial licences and e registration scheme shall ase, in so far as the drug dustry is concerned.

oreign Drug Companies

The view of a majority of ne members of the Hathi ommittee was that the multi- ational units in the field of rugs and pharmaceuticals hould be taken over by overnment. A second view as that there was no case, at his stage, to justify such rastic measures. In the second iew the economic case for ake-over has to be based on he advantages accruing to the ommunity from such a step nd in this, it would be diffi- ult to make a distinction etween foreign and Indian ompanies. If there is a case or nationalisation, the argu- ent would be equally appli- able to the units in the Indian ector above a certain size. A third view endorsed the econd view but added that he wholly Indian units to be nationalised may be at least with an annual turn over of Rs 2 crores and above and those which are determined as sick units need not be nationalised and paid unneces- sary compensation.

The Hathi Committee could not come to any unanimous decision though the majority of the members were of the view that foreign firms should be taken over, as set out in the first view. However, the Hathi Committee was unanimous that the measures set out in the succeeding para should be taken forthwith.

Dilution of Equity

Under the guidelines issued for administering Section 29 of the Foreign Exchange Regulation Act, 1973 (FERA), Indian companies having more than 40 per cent foreign shareholding and branches of foreign companies engaged in the production of items specified in Appendix I of the Industrial Licensing Policy of February 1973 of which 'Drugs and Pharmaceuticals' is one, are required within a specified period to associate Indian participation to not less than 26 per cent of the equity of the company. The Hathi Committee recommended that having regard to the present stage of development of the drug industry, for the purpose of FERA guidelines, this industry should not be eligible for the preferential treatment given to items specified in Appendix I of the Industrial Licensing Policy of 1973.

In the view of the Hathi Committee, foreign undertakings operating in this country should be directed to bring down their equity to 40 per cent forthwith and further reduce it progressively to 26 per cent. This, however, is without prejudice to other concessions to which they are eligible as a result of the industry being in Appendix I of the Industrial Licensing Policy of 1973. The Hathi Committee further recommended that the dilution of foreign enquity as suggested above, should not take the form of dispered holding of the shares by large number of Indian nationals. This is because such widely dispersed holdings will not, in anyway, reduce the effective control of the foreign equity holders. In order to serve national objectives, it would be desirable for government to purchase these shares either by public sector undertakings which are directly or indirectly connected with the manufacture of drugs/chemicals or by public financial institutions or by government itself.

New Definition

Keeping in view the need to sustain a high level of drug production in the country and in view of the fact that several other measures of control are included in the new drug policy, which will direct the activities of foreign drug companies to subserve national objectives and interests, government have decided to redefine "drugs and pharmaceuticals" listed at 14 of Appendix I of Industrial Licensing Policy in a comprehensive manner. The new definition would be as follows: "(a) Drug intermediates from the basic stage for production of high technology bulk drugs; and (b) High technology bulk drugs from basic stage and formulations based thereon with an overall ratio of bulk drug consumption (from own manufacture) to formulation from all sources of 1:5."

Government have further decided that, so far as foreign companies engaged only in the manufacture of formulations or bulk drugs, not involving high technology or both, are concerned, they should be directed to bring down their foreign equity forthwith to 40 per cent, so that 66 per cent of the balance equity currently in the hands of the foreign shareholders is disinvested in favour of government, financial or public sector institutions and the rest in favour of Indian investors, preference in the latter case being given to Indian employees of such companies.

Regulating Profits

As there are frequent allegations of unduly large profits by foreign companies, government have decided to set up a committee to carry out an investigation in this regard and suggest measures, where appropriate, to regulate the profits of foreign companies.

Indentification of foreign drug companies engaged only in the manufacture of formulations is simple. However, for the purpose of identifying foreign companies engaged in the manufacture of "bulk drugs not involving high technology," detailed exercises will be carried out through a high level committee consisting of secretaries to the government in the departments of Chemicals & Fertilizers, Industrial Development, Technical Development and Science & Technology, assisted by experts.

In respect of foreign drug companies currently engaged in Appendix I activity on drugs and formulations, the value of turnover which will be considered as Appendix I activity, will consist of, (a) the value of bulk drugs sold by

them to non-associated formulators, *plus* (b) the value of formulations not exceeding five times the value of their total bulk drug production.

For the purposes of FERA, a drug company will be deemed to be a foreign company if the direct foreign equity in it is above 40 per cent. The FERA guidelines and dilution formula applicable to all other industries would be applicable to the drugs and pharmaceuticals industry also.

Government have also decided that, in respect of foreign drug companies other than those featured earlier, as a result of reduction of foreign shareholding under FERA guidelines or on expansion, government financial and public sector institutions should aim to acquire, to the extent possible, 66 per cent of the balance equity, the rest being disinvested in favour of Indian investors, preference in the latter case being given to Indian employees of such companies.

Foreign companies engaged in the manufacture of household remedies will not be granted any expansion in capacity nor will they be allowed to take up such activity as additional items hereafter.

Bulk Drugs

Foreign companies producing drug formulations based on imported bulk or producing bulk drugs from penultimate stage will have to manufacture, within a period of two years, the bulk drugs concerned from the basic stage.

Existing foreign companies will be given formulation licences in future only if they are linked with the production of high technology bulk drugs from the basic stage.

The small-scale sector will be a prohibited area for foreign companies.

No foreign companies will be given loan licence for operating in the drugs field. The turnover of the foreign companies based on the existing loan licences will not be treated as Appendix I activity, but purely as trading activity.

Applications for industrial licences (including expansion of capacity over the level existing on December 31, 1977) by foreign drug companies for the manufacture of high technology lines of bulk drugs will be considered, subject to the overall condition of their supplying 50 per cent of their production of such bulk drugs to non-associated formulators and subject further to their restricting their overall ratio of bulk drug consumption (from own manufacture) to formulation from all sources to 1:5.

Condition of Release

The condition of release to non-associated farmulators, in similar circumstances, in respect of Indian companies, the public sector and MRTP companies will be 30 per cent, 40 per cent and 50 per cent respectively.

Regularisation of Capacity: With regard to the capacities approved for the manufacture of bulk drugs against permission letters and COB licences, the Hathi Committee recommended that having regard to the national need for bulk drugs, the permission letters and COB licences issued to such firms, may be regularised on the condition that: (a) All bulk drugs are manufactured from the basic stages; and (b) Fifty per cent of the production of basic drugs should be made available to non-associated Indian formulators.

The Hathi Committee also recommended that, so far as formulations covered by COB licenses / permission letters are concerned, foreign firms should be asked to switch over within one year to the manufacture of bulk drugs and formulations to the extent of 50 per cent of the production of basic drugs by them, and the balance 50 per cent to be supplied to non-associated formulators.

Checking Violations

Government have decided that the criterion for regularisation of production in excess of licensed capacity or capacity based on COB licences, permsision letters, registration certificates, no objection certificates etc will be the highest production actually achieved in any year during the three year period ending March 31, 1977. If the companies had expanded beyond licensed capacity or done any other actual violation of the conditions attached to the specific industrial licence or other authority granted to them or of any other laws whether during the period 1973-77 or prior to that, action may be taken against them on the same lines as applicable to all companies in other sectors of industry which may have committed similar violations.

In the case of foreign drug companies, regularisation of excess production on the above criterion will be done, (a) subject to their making over the non-associated formulators 50 per cent of their total production of such bulk drugs (including that regularised), and (b) subject further to their restricting the value of their formulation to five times the value of their total bulk production.

In the case of Indian, public sector and MRTP companies, regularisation of excess production on the above criterion will be done on the condition that they make available 30, 40 and 50 per cent respectively of their total production (including that regularised) to non-associated formulators and subject to the further condition that they restrict production of their formulations to 10 times the value of their bulk drug production.

Excess production in formulations which fall within the decontrolled category will not be regularised and the companies will have to reduce the production in this category to the level of authorised capacity within a period of six months from the promulgation of policy.

If excess production of price controlled categories of formulations is regularised on the above criterion and such formulations are based on imported bulk drugs, the company will not acquire a prescriptive right to obtain imported canalised bulk drugs to sustain such excess production and government reserves the right to reduce supplies of imported canalised bulk drugs to the level of original authorised capacity.

Price Fixation

On the excess production so regularised, government will also have the right to receive supplies at rates fixed by them.

The excess production in household remedies produced by the foreign sector will not be regularised.

However, in the case of foreign companies which have a ratio of bulk to formulations of less than 1:5 (or 1:10 in the case of Indian companies), regularisation of excess production of decontrolled formulations and household remedies

y also be permitted up to ceiling of these ratios.

Excess production in any egory will be regularised if company undertakes to port such excess for a period five years from the promul-tion of the policy.

No unauthorised production hat is production not autho-ed by industrial licence, OB licence, permission letter DGTD registration) shall regularised.

Consolidation of Industrial icences : A fresh consolidated cence will be issued to each mpany replacing all earlier cences issued under various censing authorisations like dustrial licence, COB licence, ermission letter, registration ertificate etc. This consoli-ated licence will indicate *inter lia* the names and descriptions f bulk drugs, the quantity icensed, the percentage of pro-luction required to be supplied o non-associated formulators nd export obligation, along vith, (a) the approved formula-ions, and (b) the bulk drugs with quantity) required for he production of such formu-ations.

Limitation of Capacity

In regard to licences where the capacities for bulk drugs or formulations have not been specified so far, capacities will be fixed depending on the nature of items produced and their essentialities, subject to the highest production achieved in any one year during the three years ending March 31, 1977.

Import of Technology : The import of technology for new bulk drugs by the foreign drug companies will have to be on such terms as may be deter-mined by the government.

The foreign drug companies should undertake transfer of technology laterally to public sector units where national interests justify the setting up of additional capacity.

R & D Export Obligation and Offer of Quality Control Facili-ties: Foreign companies whose turnover in drugs is in excess of Rs 8 crores per annum shall be obliged (a) to have R & D facilities within the country on which capital investment should be at least 20 per cent of their net block, and (b) to spend at least four per cent of their sales turnover as recurring expenditure on R&D facilities.

Export Obligations

To correct the present situa-tion where industrial licences do not prescribe the export obligation of foreign compa-nies, a suitable export obliga-tion based on the total sales turnover in formulations may be prescribed for foreign com-panies while consolidating their licences under the proposed policy, after a case by case review.

Foreign companies should be encouraged to offer quality control facilities to the small-scale sector on a no-profit-no-loss basis.

Pricing Policy: The Hathi Committee had recommended that a return post-tax between 12 to 14 per cent on equity, i e. paid-up capital *plus* reserves, may be adopted as the basis for price fixation, depending on the importance and complexity of the bulk drug. In the case of formula-tions, the Hathi Committee felt that the principle of selec-tivity could be introduced in terms of, (a) the size of the units, (b) selection of items, and (c) controlling the prices only of market leaders, in particular, of products for which price control is contem-plated. The Hathi Committee considered that units (other than MRTP units) having only turnover of less than Rs 1 crore may be exempted from price control. Alternatively, all formulations (other than those marketed under generic names) which have an annual sale in the country in excess of Rs 15 lakhs (inclusive of excise duty) may be subject to price control, irrespective of whether or not the total annual turn-over of the unit is in excess of Rs 1 crore. The ceiling price will be determined taking into account the production costs and a reasonable return for the units which are the market leaders.

Variant of Selectivity

Yet another variant of selectivity, according to the Hathi Committee, would be to identify product groups which individually are important and which collectively consti-tute the bulk of the output of the industry. In respect of each item of this list, it would be possible to identify the leading producers who account for about 60 per cent of the sales between them. On the basis of cost analysis in respect of those units, maxi-mum prices may be prescribed and all other units may be free to fix their prices within this ceiling. On balance, the Hathi Committee was of the view that this particular variant selectivity may be administra-tively simpler.

The Hathi Committee also felt that the recommendations of the working group on pricing of formulations under the alternative scheme of pric-ing could be adopted with the revised rates of ceilings on pro-fits ranging from 8 to 13 per cent on sales turnover—listing the firms under large, medium and small groups. The Hathi Committee also suggested further that, as an alternative criterion, the ceiling on profit may also be specified as between 10 to 12.5 per cent post-tax on net worth.

After an exhaustive exami-nation of all aspects of these recommendations, the govern-ment have decided that all bulk drugs which are used in the production of price con-trolled formulations will be subject to price control. The post-tax return on bulk drugs required for production of Category I and II formulations which are highly essential and life-saving will be kept at 14 per cent and on other bulk drugs at 12 per cent on net worth—i.e., equity plus free reserves.

However, prices of about 100 bulk drugs whose cost structure has already been studied by the Bureau of Industrial Costs & Prices (BICP) will be frozen, initially for one year.

In regard to those bulk drugs where no such cost study has been made so far, their current declared prices would be re-viewed quickly by the BICP on the above criterion.

The prices of new bulk drugs introduced into the market after the promulgation of the new policy will also be govern-ed by the above criterion.

Common Selling Price

Where the indigenous bulk drug is produced by more than one manufacturer, a common selling price for sales to all formulators will be fixed initially on the basis of average costs of relatively more effi-cient firms which account for a large percentage of output.

The prices of bulk drugs notified by government would be inclusive of the cost of transpotration and transit insurance, but exclusive of local taxes.

Government have also deci-

ded that price control on formulations will be applied on a selective basis and for this purpose, four categories will be established, as in Annexure II.

The pricing of formulations in Categories I and II will be worked out on the basis of product groups of equivalent therapeutic value. Such pricing will be based on the "leader product" of leading producers whose price will serve as a ceiling for all other formulators, within that group. The mark-ups shall be 40 and 55 per cent respectively.

In so far as Category III is concerned, separate pricing for each producer will be done, as was being done hitherto. However, wherever possible on the basis of standard composition, "leader products" would be sought to be identified here also and prices notified for such formulations, which may, at the option of the concerned manufacturers, be adopted by them, under advice to government. The mark-up for this category shall be a maximum of 100 per cent the manufacturer being free to choose his own mark-up upto the limit of this ceiling.

In respect of Category IV, there will be no price control.

The gross profit of the individual manufacturers would be contained as follows:—

	Per-tax return on sales turnover exclusive of excise duty.
(A) Large units with turnover exceeding Rs 6 crores per annum and	
(a) having no basic drug manufacturing activity nor any research activity.	8 per cent
(b) having basic drug manufacturing activity corresponding to five per cent or more of turnover but no research activity.	9 per cent
(c) having basic drug manufacturing activity at five per cent or more of the turnover and engaged in approved research and development work relating to new drug.	10 per cent
(B) Medium size units with turnover between Rs 1 crore to Rs 6 crores per annum, and	
(a) having no basic drug manufacturning activity nor any research activity.	9 per cent
(b) having basic drug manufacturing activity corresponding to five per cent (or more) of turnover but no research activity.	11 per cent
(c) having basic drug manufacturing activity at five per cent or more of turnover and engaged in approved research and development work relating to new drugs.	13 per cent
(C) Other units with turnover of less than Rs 1 crore per annum	
(a) having only formulation capacity.	12 per cent
(b) having basic drug manufacturing activity at five per cent or more of turnover.	13 per cent

While the government would take a final view on the mark-ups to be allowed in respect of Categories I, II and III, it has also been decided that

(a) For an initial period of one year, prices of existing formulations in Categories I and II would be frozen, with the leader prices operating as a ceiling.

(b) Where, however, the current prices of individual manufacturers in respect of such formulations are lower than the ceiling, no increase in prices will be allowed.

(c) BICP would, within a period of one year, scrutinise the costing of existing formulations for fixing leader prices. The basis of costing would be settled by BICP in consultation with the ministry of Petroleum, Chemicals and Fertilizers.

(d) If any increase in leader prices for existing formulations were to be suggested as a result of the BICP's scrutiny these would be brought before the cabinet.

(e) The prices of formulations in Category III would also be frozen at the existing level for the initial period of one year.

(f) The prices of Category IV formulations would be decontrolled with immediate effect.

(g) However, the overall ceiling on profitability as given above would apply.

In respect of new formulations, including formulations arising from new bulk drugs mentioned earlier while the general principles enumerated above would be applicable, the following mark-ups would permitted:

Categories	
I 40 per cent II 55 per cent III Not to exceed 100 per cent	Subjec the ove ceiling profitabi as abo
IV Not subject to	price contr

The gross profit beyond to 13 per cent for the grou listed earlier shall be fund separately for such purpos including R & D, as may specified by government.

While the existing exempti limit of a turnover of Rs lakhs in respect of small-sca drug units will continue f exemption from price contro the leader price will be follow ed by the small-scale secto also in respect of Categories and II formulations.

It will be ensured progre sively that at least 20 per cen of the turnover of an individu drug company is in Categori I and II formulations.

Leadership Role

For government purchases o drugs and medicines, othe things being equal, preferenc will be given to producers i the public sector, considerin the leadership role bein assigned to the public secto in the manufacture of drug and pharmaceuticals.

The present provision unde the Drugs (Prices Control Order, 1970 regarding markin of retail prices shall continue to apply to both the control led and decontrolled drug produced both by the exempt and non-exempt manufac turers.

Incentive for original development: In the case of entirely new or original bulk drugs developed through indigenous R & D efforts and which have

een produced elsewhere, will be no price control ne bulk drug and its for-tions for a period of five s. The condition of supply art of the production to -associated formulators l not also apply to such drugs during this period. department of Science & nology will certify claims le in this regard.

kaging Costs

Appropriate packaging costs essary for retaining the effi-y of drugs will be allowed. committee will be set up by ministry of Petroleum, emicals & Fertilizers to ndardise and lay down rms for the packaging re-red for various types of for-lations. The committee will nsist of experts drawn from drug industry (both public d private sectors), the ckaging industry, doctors, presentatives of consumer terest and officials of the inistries of Health & Family elfare, Petroleum, Chemicals Fertilizers and the BICP.

Notification of Norms: The orms of (a) process loss, (b) nversion cost of bulk drugs to formulations and (c) pack-g charges shall continue to notified by the government.

Trade Margins: The existing ade margin for wholesalers nd retailers will continue, that : (a) Minimum of two per ent and 10 per cent for whole-aler and retailer respectively or non-ethical formulations; nd (b) minimum of two per ent and 12 per cent for whole-alers and retailers respectively or ethical formulations.

Price Control on Intermediates: Ministry of Petroleum, Chemicals & Fertilizers will fix, from time to time, in consulta-ion with BICP, the prices of intermediates produced by the public sector undertakings.

The following eight critical drug intermediates will also be brought under the purview of price control, while ensuring a return of 12-14 per cent on net worth as in the case of bulk drugs: (i) Meta-Amino-Phenol; (ii) Para-Nitro-Chlorobenzene; (iii) Picolines; (iv) Para-Nitro-Benzoic Acid; (v) Methyl Imidazole; (vi) Dextrose; (vii) Acetanilide; and (viii) Ethylene Oxide.

This list of critical drug intermediates could if necessary, be amended by notification by government from time to time.

Leader Prices

Sole selling agencies for drugs and formulations where such arrangements exist, should ultimately disappear. Where existing leader prices are based on sole selling agency commissions of more than five per cent, BIPC would review such leader prices and reduce them appropriately with immediate effect.

National Drug Authority, Brand Names, Quality Control etc: The Hathi Committee had recommended the setting up of a national drug authority—an autonomous body which would handle all matters concerning the future expansion of the drug industry licensing, imports, exports and technological development. Government has given careful consideration to this recommendation and has come to the conclusion that it would not be possible to establish a totally independent authority on the lines suggested by the committee. Government recognize, however, the need for close coordination in the formulation of drug policy and in the implementation of expansion programmes. Government have, therefore, approved of the following advisory/administrative/organisational set up:

A field organisation in the department of Chemicals and Fertilizers under a Development Commissioner (Drugs Industry), with the following prime functions: (i) To operate the scheme of pricing under the Drugs (Prices Control) Order (Essential Commodities Act); (ii) To recommend a policy for release of raw materials (indigenous, imported and canalised) and to supervise their distribution so as to ensure that the raw materials allocated to the drug manufacturing units are utilised effectively; (iii) To review the list of canalised items as also to review the availability and distribution thereof in the context of prevailing international economic situation from time to time; with a view to help formulate the ITC policy; (iv) To inspect selectively with a view to prevent the misuse of canalised and imported materials; (v) To review the shortages of drugs and to take measures to anticipate such shortages as well as obviate them if they do emerge; and (vi) To operate as a counselling organisation for development of the drug industry so that new entrepreneurs may be assisted to establish new units in accordance with the policy of the government.

Advisory Committee

A high-level committee on drugs & pharmaceuticals called "Policy & Planning Committee for Drugs Industry" (PPDIC) will be constituted to advise the department of Chemicals & Fertilizers from time to time.

The Development Council for Drugs & Pharmaceuticals will be activised under the chairmanship of the minister for Petroleum, Chemicals and Fertilizers.

Within the policy guidelines laid down, various committees like LC & FERA committee, will continue to deal with their various operational functions as hithertofore.

While the pricing of drugs will be continued to be examined by the BICP, decisions on pricing will be notified by the department of Chemicals and Fertilizers, as hitherto.

Abolition of Brand Names: Brand names shall be abolished in the first instance in respect of the following five drugs: Analgin; Aspirin; Chlorpromazine; Ferrous Sulphate; Piperamazine and its salts such as adipate, citrate and phosphate.

Generic Names

All single ingredient dosage forms of the above drugs shall be marketed only under generic names.

Drugs which are to be exported will be allowed to bear brand names.

This decision will be kept under constant review in the light of actual experience.

Drug formulations marketed under generic names will also be subject to price control.

Such amendments as might be necessary would be carried out immediately in the relevant acts like the Trade and Merchandise Act, 1958 and Drugs and Cosmetic Acts/Rules.

R & D in Public Sector: The recommendation that the public sector should set an example in respect of R & D activity by setting apart five per cent of their net turn-over will be implemented to the extent possible, depending upon the funds available for such investment.

The ministry of Industry propose to introduce a bill for the amendment of the IDR Act, 1951, so as to empower the government to levy a cess

up to one per cent of the value of goods produced by any scheduled industry and that bill will provide for the establishment of a central research and development coordination authority and research direction committee for different sectors of industry. The proposal to set up five regional laboratories pilot plant and toxicological laboratory will be considered further in the light of this.

Quality Control: The quality control functions will continue to be looked after by the ministry of Health and Family Welfare. There will be need to intensify arrangements for quality control. The ministry of Health and Family Welfare will strengthen the organisational set up with the aim to ensuring that spurious or substandard products are not manufactured or marketed by drug manufacturers. Additional funds which may be required therefor will be met to the extent possible from the cess proposed above.

Testing Laboratory

The setting up of a laboratory for testing sera, vaccines and immunological products will be expedited, in consultation with CSIR/ICMR.

Patents: A subject index of pending applications will be prepared and maintained by the Patent Control Office which may be of help to intending entrepreneurs. The Patent Control Office will also bring out a list of rejected patent applications.

The recommendation of the Hathi Committee that wherever an Indian entrepreneur has set up any basic production within a certain specified period which might infringe on the coverage claimed in the pending applications, a suitable solution should be found out whereby the entrepreneurs could continue with their manufacturing operations, would be considered separately in consultation with the department of Science & Technology, ministry of Law and Controller General of Patents, Designs & Trade Marks.

Research & Development: The setting up of a strong centre for R & D in enzymology and enzyme technology by the department of Science & Technology/CSIR will be considered after a view is taken on the report on the present status of research in the field of applied microbiology in the CSIR laboratories.

Avoiding Duplication

All efforts would be made to prevent avoidable duplication of R & D activities between public sector units. While efforts are usually made in agreements currently being entered into for foreign technology by public sector units to provide for horizontal transfer of technology, a case by case view will be taken on existing agreements within the parameters of those agreements.

Public sector units will maintain the closest liaison with the R & D units of national laboratories, state institutions/other educational institutions. Appropriate facilities will also be created in the identified institutions, where necessary, to promote time-bound completion of individual projects.

The Indian Council of Medical Research will be requested to concentrate their attention particularly on the discovery of newer drugs for tropical diseases.

Highest priority will be accorded to centrally directed research aimed at discovery of newer drugs for treatment of tropical diseases, anti-malarials anti-filarials, anthelmintics and anti-leprotics. Research will be accelerated for new drugs for cardio-vascular ailments, metabolic disorder and contraception.

Integrated development of basic chemical raw materials and intermediates by the industries and R & D institutions in the country will be encouraged.

In respect of imported technologies, concurrent purchase of equipment to the extent not covered by indigenous manufactures or by other competitive offers will alone be provided for.

Technology: Efforts will continue to be made to step up production of existing units by improvement of technology and of imported processes through R & D activities and the efforts of the state owned research laboratories. This should not, however, preclude obtaining crucial technology wherever necessary.

The development of technology for steroids in the public sector would be taken up in the overall context of their existing production lines as well as expansion plans.

Indigenous Technology

Development of indigenous technology wherever possible will be encouraged in respect of the drugs highlighted by the Hathi Committee—including Chloramphenicol — involving NCL, CDRI and RRL, Hyderabad, etc. Import of technology will be permitted wherever necessary and where available without onerous conditions, taking the entire complex of factors into consideration, such as demand, availability of indigenous technology, success of pilot plant trials, etc. In order to reduce dependence on import of technology in general, urgent steps will be taken to equip the public sector units as also the national laboratories with such R & D and pilot plant equipment as may be necessary. Public sector units will also ensure that they have a strong design and engineering component in their R & D structure, so that chemical processes that may be developed, may be indigenously tested and scaled up with the necessary complement of competent indigenous design and engineering skill. Wherever necessary, public sector units may also obtain assistance from other public sector or private design and engineering organisations in respect of up-scaling of a given process.

Import of technology for the economic production of ergot alkaloids and therapeutically active steroids, if these have not been worked out by the national laboratories, will be resorted to.

Continuous Power Supply

State electricity boards will be requested not to subject industrial units to power cuts, if such units are engaged in the production of drugs which are thermo-labile and are sensitive to heat, such as sera, vaccines and other immunological products and antibiotics, as also generally ensure uninterrupted supplies to the drug industry.

Modern slaughter houses and other facilities for collection and storage of glands, extraction of active principles etc will be encouraged in order to prevent the wastage of valuable raw materials that could be used profitably for biological products, sutures etc.

Drug Complexes at Industrial/Coal Concentrations: The Hathi Committee have made several recommendations for non-user of valuable chemicals like benzene, toluene as fuel,

overy of these chemicals
m coke ovens of steel
nts, usage of acid sludge,
ablishment of new drug
ts using chemicals reco-
ed from coal tar distillation
Durgapur, development of
al carbonisation complexes
Andhra Pradesh and Maha-
shtra, recovery of aromatics
om naphtha etc. All these
commendations will be consi-
red in the context of all
ctors concerning economic
ability including the factor of
cational advantage.

Medicinal Plant : In the
rder of importance, the Hathi
ommittee had identified 14
lants having medicinal value,
ut of which eight, namely
ioscorea species, cinchona,
oppy, ergot, digitalis, ipecac,
ubesia (or atropa), and lemon
rass are the sources for
ssential drugs identified by
his committee. The Hathi
Committee had endorsed the
ecommendations of the NCST
or increased cultivation of the
4 plant materials and also
production of active principles
obtainable therefrom with
pdated technology.

Agro-Herbal Group

The recommendations of the Hathi Committee on medicinal plants will be reviewed in the light of the conclusions of the Agro-Herbal Advisory Group constituted in the ministry of Health and Family Welfare.

Distribution : Possibilities of enlarging, rationalising and decentralising the distribution system in the public sector, with special reference to rural areas, making use of unconventional agencies for the distribution of household remedies and commonly used medicines will be explored, keeping in view the requirements of the Drugs and Cosmetics Acts and Rules.

The Hathi Committee had recommended that in order to enable the establishment of pharmacies specially in small towns in rural areas, immediate steps should be taken to revise the present syllabus of training of pharmacists. The Pharmacy Council should be approached to tailor the course to suit our country's needs. An intensive need-oriented course of a short-duration should be instituted for the training of dispensers. The Pharmacy Council of India would be requested to actively consider these recommendations.

Adequate Supplies

The ministry of Health & Family Welfare will consider the recommendation concerning provision of proper quality drugs in adequate quantities through primary health centres in rural areas, keeping in view the standards for urban areas.

Registration and monitoring of the activities of drug and formulation units in the small scale sector will be done by the Development Commissioner, Drug Industry.

Publicity & Advertisement : The ministry of Health & Family Welfare will keep in mind the view of the Hathi Committee that, because of the importance of educating the rural population about the use of household remedies, advertisements may have to be permitted to serve this limited need.

Adequate availability of alcohol, particularly for chemical based industries, will be kept under constant watch.

All supplies of single ingredient drugs and drugs included in Indian Pharmacopoeia should be tendered by central and state government institutions and local bodies and supplies made to them under generic names.

All single ingredient drugs and drugs included in the Indian Pharmacopoeia other than those in respect of which brand names have been abolished shall bear labels displaying prominently the generic names. Brand names may be shown on labels in a less conspicuous manner.

Drug Controller should not, while granting permissions, give recognition to brand names of new single ingredient drugs, nor should such drugs be allowed to be marketed under brand names when first introduced into this country.

The Drug Control Administration should immediately go into the various drug combinations and take prompt measures to eliminate irrational drug combinations or use of ingredients far in excess of what is required. No firm should be allowed to incorporate excessive quantities of any drug over and above the requirements for therapeutic and prophylactic purposes. The Pharmacopoeial Committee will be requested to give new/generic names for multiple ingredient preparations.

WHO Recommendations

While reviewing the policy of abolition of brand names in respect of more drugs in future, the recommendations of the WHO from time to time on non-proprietary names may also be kept in mind.

An endeavour will be made to create facilities for bio-availability studies, so that the industry, both large and small-scale, can use them to plan and conduct bio-availability and pharmaco-kinetic studies.

Immediate steps to revise the Indian National Formulary and make it uptodate and to publish journals on the lines of the Prescribers' Journals, UK; Medical Letter, USA; or Formulary Notes of Sri Lanka will be taken.

ANNEXURE—I

Indicative list of lines of production for public sector, Indian sector and open for all sectors (including foreign sector)

Public Sector

1. Penicillin
2. Streptomycin
3. Tetracycline
4. Oxy-tetracycline
5. Erythromycin
6. Ampicillin
7. Doxycycline
8. Griseofulvin
9. Gentamycin
10. Sulphaguanidine
11. Sulphadimidine
12. Sulphacetamide
13. Sulphamethoxy-Pyridazine
14. Sulphadimethoxine
15. Vitamin B-1
16. Vitamin B-2
17. Folic Acid
18. Metronidazole
19. Piperazine and its salts
20. Quinine
21. Analgin
22. Amidopyrine
23. Phenobarbitone
24. Morphine
25. Polio Vaccine.

Indian Sector

1. Ampicillin
2. Doxycyline
3. Sulphacetamide
4. Vitamin-C
5. Nicotinamide
6. Halogenated-Oxyquinolines
7. Metronidazole
8. Glybenclamide
9. Chlorpropamide
10. Thiacetazole
11. Sodium PAS
12. INH
13. Bephenium-Hydroxy-Naphthoate
14. Phenacetin
15. Paracetamol
16. Pethidine
17. Diethyl-Carbamazine Citrate
18. Xylocaine
19. Phenyl Butazone
20. Oxyphenyl-Butazone
21. Caffeine (Natural)
22. Vaccines and Toxoids
23. Diazepam

Open for all Sectors

1. Chloramphenicol

2. Neomycin
3. Rifampicin
4. Phthalyl Sulfathiazole
5. Sulphadiazine
6. Sulphaphenazole
7. Sulphamethoxazole
8. Sulphasomidine
9. Sulphanoxole
10. Vitamin-A
11. Vitamin B-6
12. Vitamin B-12
13. Vitamin D-3
14. Panthenols
15. Vitamin-K
16. Diloxamide-Furoate
17. Tolbutamide
18. Insulin
19. Ethambutol
20. Primaquin
21. Amodiaquin
22. Chloroquin
23. Aspirin including Salicylic Acid
24. Indomethacin
25. Pheniramine
26. Chlorpheniramine
27. Procaine
28. Chlorpromazine
29. Caffeine (Synthetic)
30. Xanthinol Nicotinate
31. Theophylline
32. Aminophylline
33. Ephedrine
34. Nitrofurantoin
35. Furazolidine
36. Nitrofurazone
37. Succinyl Choline Chloride
38. Hydrochlorothiazide
39. Clofazimine
40. D.D.S. (Dapsone)
41. Predinisolone
42. Dexamethasone
43. Betamethosone and all other Corticosteroids and Hormones.
44. Ibuprofen
45. Dextropropoxyphen
46. Thiabendazole
47. Tetramisole
48. Framycetin
49. Bacitracin
50. Cyclophosphamide
51. Mepacrim
52. Imipiramine
53. Amitryptilene
54. Diphenyl Hydantoin
55. Methyl Dopa
56. Triamoinolone
57. Phenyl Ephedrine
58. Salbutamol
59. Oxytocin
60. Rutin
61. Phenylamine Lactate
62. Thioridazine
63. Phenothiazine
64. Allopurinol
65. Trimethoprim
66. Fursemide.

ANNEXURE—II

Category I Formulations

1. Aspirin tablets
2. Digoxin tablets
3. DDS tablets
4. DPT vaccines
5. Insulin injections (all sorts)
6. Hydrochlorthiazide tablets
7. Iodo-chloro-hydroxy-quinoline tablets and Di-iodo-oxy-quinoline tablets
8. INH tablets
9. INH plus Thiacetazone tablets
10. Morphine Sulphate injection
11. Penicillin injection including Procaine, Penicillin G and Benzathine Penicillin, all strengths
12. PAS and its salts, granules and tablets
13. Phenoxymethylpenicillin tablets
14. Streptomycin injection all strengths plus combination with Penicillin
15. Pethidine injection.

Category II Formulations

1. Analgin tablets
2. Amodiaquin tablets
3. Chloramphenicol oral preparations including Chloramphenicol Palmitate suspension and syrup and Chloramphenicol Sodium.
4. Chloramphenicol in combination with Streptomycin
5. Chloroquin salts
6. Primaquin tablets
7. Calcium Benzoyl PAS tablets
8. Diethyl Carbamazine Citrate tablets
9. Fursemide tablets, injection
10. Glyceryl Trinitrate tablets
11. Phthalyl Sulphathiazole tablets
12. Prednisolone tablets and injection
13. Phenobarbitone tablets
14. Piperazine and its salts—tablets, syrup.
15. Sulphadimidine tablets.
16. Tetracyclines, capsules, tablets, syrup, injection eye ointment (including Oxy-dimethylchloro and Pyrrolidine Methyl Tetracyclines)
17. Tolbutamide tablets.
18. Tetanus Toxoid injection.
19. Diphtheria Tetanus Toxoid injection
20. Quinine salts, tablets and injections.

Category III Formulations

Formulations based on drugs falling under the following categories excluding the formulations included in Categries I and II.

1. Anaesthatics, general and local
2. Analgesics and Antipyretics
3. Anthelimintics
4. Antiameobics
5. Anti asthmetic drugs and Enteric antisecptics
6. Antibiotics
7. Anticancer drugs
8. Anticoagulants
9. Anticonvulsants
10. Antidiabetics
11. Antihistaminics
12. Antileprotic drugs
13. Antimalarial drugs
14. Antirheomatic drugs
15.(a) Antiseptics
15. Antispasmodics
16. Antitubercular drugs
17. Cardiovascular drugs (i) Antihypertensives, (ii) Anginal drugs and Coronery Vasodilator, (iii) Peripheral Vasodilators, (iv) Cardiac Glycosides (v) Others.
18. Corticosteroids
19. Diuretics
20. Drugs used for Calcium therapy
21. Haematinics
22. Oral contraceptives
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24. Oxytocies
25. Plasma expanders and transfusion solutions
26. Sera and Vaccines
27. Urinary
28. Vitamins
29. Ampicillin capsules, tabl syrups and injections
30. Erythromycin capsu tablets and syrup
31. Metronidazole tablets
32. Antacid
33. Antidiarrhoeals
34. Antigout drugs
35. Disinfectants
36. Antitussives and Expe torants
37. Dental products other th those containing loc anaesthetics
38. Dermatological prepar tions not containing An biotics, Sulphonamides ar Corticosteriods
39. Otic preparations not base on Antibiotics
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3. Antidotes
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6. CNS Stimulants
7. Cholagogues
8. Dietotics
9. Enzymes and Digestants
10. Haemorrihoidal preparations
11. Haemostatics
12. Hormones used for menstrual disorders and sterility
13. Laxatives, purgatives and lubricants
14. Male Hormones
15. Mouth Washes
16. Nasal Decongestants
17. Surgical Dressings
18. Sweeteners
19. Throat Lozenges, Paints etc.
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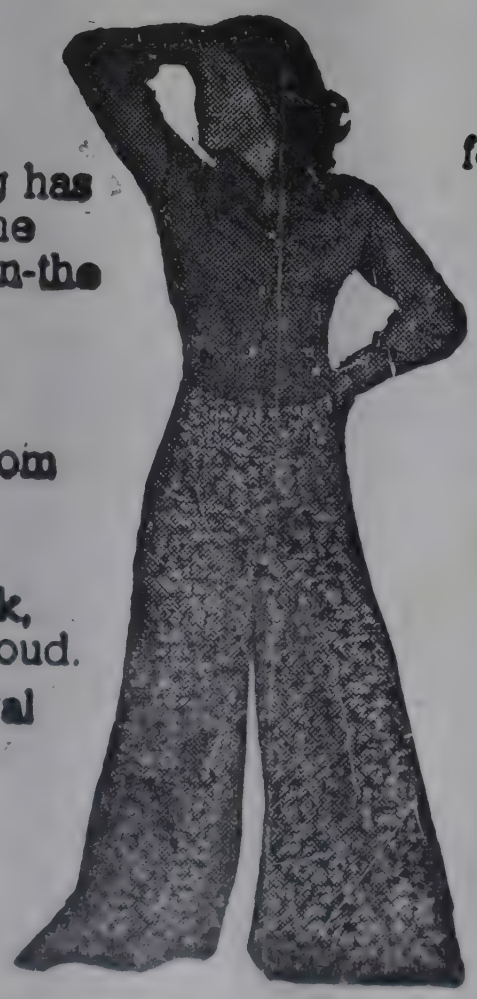

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Green signal for imports

THE IMPORT policy for the year ending March 31, 1979, and the export policy for the same period, announced by the minister of Commerce on April 3, have been greeted with general satisfaction, although there were no pleasant surprises of a major order. The government has been under continuous criticism for not showing enough imagination or initiative in utilizing the inflow of foreign exchange resources for stimulating current economic activity or building up the basic development potential. Over the past 12 months the concerned ministries have been quite unable to think of, in a systematic manner, significant schemes for the profitable employment of investible resources in the form of foreign exchange assets. It is no doubt true that import licences worth Rs 5,375 crores were issued during April-December, 1977, as against Rs 2,805 crores in the corresponding period of 1976. It is also true that, of the licences issued during the nine months ended December, 1977, about 75 per cent were against free foreign exchange. All the same most of the major decisions liberalizing imports were taken on an *ad hoc* basis in response to immediate compulsions, such as domestic shortages of essential commodities—for instance, edible oils or industrial raw materials.

For the greater part of 1977-78, the various ministries were really groping for ways and means of taking advantage of the easier foreign exchange position for the good of the national economy. Here, the Finance ministry's failure to provide leadership was conspicuous and the public therefore was not surprised when Mr H.M. Patel disclosed in his budget speech on February 28 this year that government plans for drawing down the foreign exchange reserves by Rs 800 crores had proved still-born. Actually the foreign exchange assets had moved up from Rs 2,715 crores as on March 18, 1977 to Rs 3,632 crores as on March 17, 1978. Against this background, Mr Mohan Dharia would have damned himself irreparably had his ministry continued to drag its feet with regard to an organized liberalization of import policy, not merely in grudging acceptance of the more acute needs of the economy but in positive response to its opportunities for growth. It may be said to his credit that, having realised the risk, he has made a valiant attempt to avoid it.

It would of course have not been wise for him to throw the doors of trade policy wide open for imports. Although there has been a steady improvement in our foreign exchange reserves, they still need to be husbanded wisely so that unexpected adverse changes on either side of the foreign trade ledger may not take us by surprise. A country as dependant as India is on the fortunes of its agricultural sector for its general economic health, clearly needs to provide itself with a reasonable margin of foreign exchange reserves over proximate import needs. Again, with international trade beset with currency disturbances and hesitant growth trends in many industrial countries and threatened consequently by the growth of protectionism, the government has to be reasonably circumspect in regulating its balance of trade. Although remittances from abroad, particularly from Indians gone to work in Gulf countries, may keep arriving in considerable amounts for some years, it cannot be taken for granted that this tide will continue at its current order of Rs 1,500 crores. Finally, over a period of nearly three decades, a large number of industries has been established in this country behind a Berlin Wall of customs duties and import controls and while the time has certainly come for their being exposed to international competition, the process has to be smooth and orderly. The new import policy, by and large, has manfully tried to pay heed to this variety of obligations placed on it.

The most striking feature of this policy is the liberalization of the import of capital goods. A number of items under this classification has been added to the very short list of capital goods hitherto qualifying for import under Open General Licence. It has also been decided, rather daringly, to permit applicants to call global tenders, in the case of capital goods for specified industries or projects, irrespective of

whether some of the plant or equipment sought to be imported is manufactured indigenously or not. To protect the interests of the manufacturers of capital goods now being exposed to foreign competition, certain reasonable safeguards have been provided. There is also the protection of import duty of 40 per cent, which however may have to be reviewed in due course in the light of the effectiveness of the policy of liberalizing the import of capital goods.

rupee finance

The Finance minister stated in his budget speech that a consortium of banks and public financial institutions would be set up to provide special financial facilities to industrialists for importing capital goods so that the utilization of foreign exchange in this manner might not be impeded by the inability of these industrialists to raise rupee finance in the prevailing credit and investment situation within the country. It is an open secret, however, that the Finance minister incorporated this proposal in his budget speech simply on the strength of his acceptance in principle of the suggestions which were made to him by business leaders in the weeks preceding the presentation of the central budget. As a result, the details of the scheme are yet to be announced although nearly two months have passed since his budget speech. Surely the Finance ministry and the Reserve Bank of India cannot be expected to be complimented on the expedition with which they are processing this project. Despite the import policy changes now announced, the actual import of capital goods will gather momentum only after the connected facilities have been set up so that industrialists may actually be in a position to take advantage of the removal or relaxation of import controls.

The new import policy has also paid attention to the loosening of restrictions on the import of raw materials, components, consumables and spares by actual users (industrial). Here reliefs are provided both through policy decisions and procedural reforms. However, there are already instances of import liberalization relating to raw materials for industry not being free from anomalies. The man-made fibre industry generally—and, in particular, the manufacturers of viscose filament yarn—have been hit adversely by tariff burdens in competing with imports which are now being permitted freely. The Commerce ministry, however, proposes to have these matters looked into. Remedial action should not be delayed much longer. Meanwhile the question will be asked whether greater imagination cannot be shown by the government in profitably utilizing some part of the foreign exchange reserves on a bold and forward-looking import policy for some key commodities and materials. For instance, there is a case for placing raw cotton and raw jute under Open General Licence. Should this be done, it would however be necessary to allow regulated exports of certain descriptions of raw cotton. Again, the question of building buffer stocks of metals such as copper, lead, and zinc should be purposefully explored in view of the favourable world prices obtaining for these materials at the present time. These buffer stocks should be organized by official agencies on their own or in collaboration with representative organizations of major industrial users.

export promotion policy

The sustained practice of a progressively liberal import policy will naturally be conditioned by the country's ability to maintain a steady growth of exports. Based on the provisional export data, exports, including re-exports, totalled Rs 3,952 crores during the first nine months of the year ending December 1977, showing a growth of 8.7 per cent over the corresponding period of the previous year. This export performance is satisfactory only in the context of the continued recessionary situation in the world economy and the protectionist action taken by the industrial countries, particularly in the EEC, against further large growth of imports of manufactured goods, notably textiles from the developing countries. That exports for the full year of 1977-78 will probably fall short of the target of Rs 5,700 crores by about Rs 300 crores is certainly far from reassuring. Viewed in the light of the trends of growth, which may be needed in the coming ye for making the foreign trade sector suff ently viable, the importance of policies promoting export capacities cannot lightly regarded.

complex problem

The government may therefore be co gratulated on its decision to examine t present structure of subsidies in great detail before pruning it. The problem clearly more complex than those who a condemning export subsidies outrig would have the public believe. While is true that India's economy has develope a growing range of production, both as competitor and as a potential partner fo the developed world, there are still man impediments in the way of Indian indu tries graduating to adult status in inter national trade. It is only painstakin identification and elimination of the hand caps which Indian manufacturers hav to struggle with in achieving optimun scales of production or sufficient economie of costs that will make it possible for th government to arrive at a sound judgmen on the extent and the nature of specia facilities India's export production is en titled to.

The Commerce minister has conceded that the government's policy of giving preference to domestic consumption over exports is already coming in the way of the country hitting export targets. While the shortages or high prices of essential commodities need to be avoided within the country, it is possible to argue that the minister has been favouring an unduly restrictive approach to the regulation of certain exports. For instance, the re trictions placed on tea exports do seem to be excessive. While there is a case to be made out for the regulation of the tea trade for the greater benefit of the domestic consumer, it may be far more helpful to deal with the problem in terms of the rationalisation of certain parts and processes of the marketing of tea within the country. In any case, the government's concern for ensuring the adequate availability of essential goods for the people should clearly lead to emphasis being placed on stepping up the production or the capacity or both of export-oriented industries, or industries which have a significant export

ability or potential. In this sense, the ficial ceilings on capacity planned for ustries, such as textiles or sugar, can y do harm. Similarly, the government's built prejudices against MRTP or eign firms are bound to come in the y of the considerable resources of these siness entities being pressed into the vice of the export sector.

The Industry minister is probably too t behind the ears to know that practily all the shortages of essential, manuctured goods, which the country has en forced to suffer from time to ne all these years—whether it is a steel ortage, a cloth shortage, a cement shorge or a sugar shortage—have been the redictable and precise consequence of overnment policies which, with one motive or another, have consistently obstructed current production or the growth of capacity in the organised industrial sector. Even so, it must not be difficult for him or his colleagues in the government to realise that the liberalization of economic policies cannot afford to be narrow-minded or short-sighted. For instance, it is not enough for Mr Fernandes to free medium industries from industrial licensing, as he proposes to do, if his real intention is only to ensure that his ministry is more free to strengthen its squeeze on the large-scale industrial sector, particularly the MRTP or foreign firms. This country does not have such an abundance of entrepreneurial or managerial resources that it can afford to let this government dissipate significant concentrations of it.

Imports without impediments

THE IMPORT policy for 1978-79 has three major characteristics. First, it is more liberal than the policy for the preceding year. Second, all licensing work has been decentralised except for capital goods licences exceeding Rs 10 lakhs each. Third, a number of procedural changes have been introduced so as to simplify the import of goods. What is significant is that the new policy has been evolved to strengthen the development programme set out in the draft Plan for the next five years.

But this does not mean that the list of banned items has been abolished. It is still there as a part of the new import policy. Fourteen different categories of capital goods including cinema machinery, printing machinery, textile machinery, textile testing equipment etc are on the list of banned items. Similarly, chemicals and allied items numbering more than 700 are not allowed to be imported. The list of electronic items and professional grade electronic components whose import is banned, is pretty long. The chemical and allied items whose import is absolutely banned, have also been listed. However, the lists of (a) capital goods allowed under the open general licence and (b) restricted items, have been expanded. In the case of iron and steel industry, there is a small list of banned items but the list of restricted items is long. The number of canalised items has been reduced to 65 only.

The import of capital goods of a wide variety has been liberalised keeping in view the interests of domestic manufacturers, but at the same time an element of competition has been introduced so that the indigenous suppliers may improve the quality of their products and reduce their prices. For capital goods concerning projects associated with such industries as fertilizers, newsprint and paper, basic drugs, basic technical materials for pesticides and weedicides, power generation, transmission and distribution; mineral exploration, mining and beneficiation; petroleum exploration and production; petrochemicals up to the stage of polymers; manufacture of professional grade electronic components; sugar; and cement and cement products, the applicants will be allowed to call global tenders and the selection of suppliers will be subject to scrutiny by a committee set up in the ministry of Heavy Industry. Decision in regard to imports will be made by comparing Indian and foreign offers. In the case of successful Indian bids, imports of machinery, if any, would be permitted without any further indigenous clearances; the customs duties for these imports would be the same as are applicable to the equipment.

Rules for the import of samples and prototypes have been altered so as to facilitate their acquisition by actual users. Samples valued up to Rs 10,000 which are supplied free of charge are allowed to be imported under the open general licence. The regional licensing authorities can issue licences for the import of samples and prototypes valued up to Rs 50,000; beyond this monetary ceiling, the applications will need to be directed to the Chief Controller of Imports and Exports. The import of samples or prototypes for product development will be thus permitted without reference to cost provided the scheme for the production of an item is approved by the appropriate government authority.

import of spares

The import of computers (and their spares) however is in a class apart. With the exit of the International Business Machines (IBM) from the country, the burden for the maintenance of the IBM computers has falllen on the Computer Maintenance Corporation (CMC)—a public sector undertaking—which has also been designated as the procurement agency for spares, tools and test equipment in respect of all maintenance systems. The import of spares has been permitted up to three per cent of the c.i.f. value of imported computer systems which should be more than sufficient to keep the computers in working condition. In the case of indigenously manufactured computers, spares up to half per cent of the sale price are permitted under open general licence. The special precedure which already exists for the import of a computer system having c.i.f. value of five lakhs of rupees or more, has not been changed. The actual users have to apply as hitherto for the import of a computer system through the department of Electronics.

The actual users (industrial) will be allowed to import their needs of raw materials, components, consumables and spares in three different ways. First, there

are the open general licences under which such items as are "in conformity with the provisions of the industrial licences or registration certificates" will be allowed to be imported. Second, automatic licences would be provided if applications are made to the regional licensing authority in the prescribed form along with a certificate by a chartered or cost accountant regarding the consumption of imported raw materials, components and consumables in 1977-78. In the case of small-scale units whose licences were for Rs 50,000 or less in 1976-77 or 1977-78, automatic licences will be granted on a repeat basis without reference to previous consumption. If, however, consumption in the earlier years is proved, there will be an increase of 10 per cent. But the industrial licence of every unit specifies a ceiling on capacity. What will a unit do with this extra 10 per cent import licence unless simultaneously the capacity sanctioned is also increased? However, this 10 per cent increment will be beneficial to units which might have operated at less than optimum capacity in 1976-77 or 1977-78.

canalised items

Third, for canalised items, no release order will be needed by actual users from the licensing or sponsoring authority; they may register their twelve months' requirements with the canalising agency with earnest money equivalent to two per cent of the sale value or Rs 50,000, whichever is less. As there will be no last date for an actual user to register his requirements, the period for delivery may extend the period of the policy.

The export-oriented units in particular have received a special treatment in the import policy. Here, the actual users (industrial) having registered exports in 1977-78 at 50 per cent or more of their production, will be entitled to supplementary automatic licences up to 50 per cent of their total licences without reference to the sponsoring authority. Only where additional imports are needed, the assistance of the sponsoring authority may be sought.

Even a new unit may apply for import licences, but in this case, the recommendation of the sponsoring authority is necessary, The maximum value of any licence will be three lakhs of rupees in the case of a small-scale unit. However, if the unit is located in a backward area or is being set up by a graduate or diploma-holder or by an ex-serviceman belonging to a scheduled caste or scheduled tribe, the value of the licence will be raised to five lakhs of rupees. And what is more, such a unit will be accorded preferential treatment in the allocation of canalised items.

Barring consumer goods, all other equipments, raw materials, components and spares are allowed to be imported under the open general licence by the *non-industrial* actual users subject to certain conditions. Not only research and development laboratories, research institutions, hospitals etc are covered under this category but the commercial establishments are also included. The recommendation of the concerned government authority is needed in such cases. For instance, in the case of the import for an electronics item for a value of five lakhs of rupees or more, the clearance of the department of Electronics is essential.

The provisions stipulated for the import of permissible spares by ac users (industrial as well as non-industr have been liberalised. The indigen manufacturers of capital goods can n obtain supplementary licences for spa at the rate of 0.1 per cent of their th years' sales so as to be able to prov after-sales service to the customers. T actual users (non-industrial) such research and development units, hospita institutions of higher education recognis by the government are now allowed import without an import licence the needs of spares, both permissible and n permissible, without any value limit " terms of the provision of open gener licence". Thus, the new import policy designed to assist all establishment industrial or non-industrial, in the pro curement of their legitimate needs spares. Surely, with the new guideline no establishment will be under strain du to the paucity of spares.

In the case of iron and steel items supplementary licences will be permitte but only with the approval of the sponsor ing authority. The facility of importing banned items up to 10 per cent "can be

vithin each of the said categories only not *inter se*". Any failure on this t will attract penal action under law. all items of iron and steel to be rted should be of prime quality only; and defective material would not be ved to be imported.

word about canalisation. As stated er, the number of canalised items has reduced to 65 only. While each cerned agency will import the items in harge under the open general licence, release orders will be required by ible actual users from the licensing or nsoring authority for getting these uirements. For instance, newsprint is alised through the State Trading Cor- ation (STC) while the sponsoring hority is the Registrar of Newspapers. y newspaper which is eligible as an ual user of newsprint can now approach e STC directly for the allocation of wsprint without reference to the onsoring authority. In order to super- se the working of canalisation, two mmittees are proposed to be set up. he first one will be known as the moni- ring committee and the second one will e designated as the pricing committee. oth these committees will be chaired by ne Chief Controller of Imports and xports while the representatives of the inistries of Finance, Commerce, Steel, tc will be its members.

different procedure

The public sector enterprises have been so far following a procedure which is different from the one prescribed for private parties both in regard to actual user and capital goods licences. The new policy has provided for the same facilities and procedures to both.

Then, there are certain items which are imported not by actual users but by dealers for stock and sale. Dry fruits, dates, spices, pulses etc are covered under this head. The import of these products is open to all persons under the open general licence but each importer will be governed by the conditions stipulated by the goverment.

For the import of animals, plants and plant materials, two conditions are imposed. First, such imports should be in accordance with the provisions of the convention on international trade in Endangered species of wild fauna and flora. Second, applications for import should be supported by the sponsoring authority. For example, in the case of importing cattle, sheep etc for breeding farms, the relevant authority is the ministry of Agriculture on whose recommendation alone the Chief Controller of Imports and Exports will issue the import licence.

The present comfortable foreign exchange resources position is partly due to the remittances being sent every day by Indians living abroad or the foreign exchange savings brought to this country by Indians returning from abroad. The latest import policy provides a number of incentives for Indians living abroad who either wish to return to this country and set up a new industrial unit or to invest in new issues of new companies without returning to this country.

facility for expatriates

Indians returning to this country are now entitled to import capital goods up to Rs 25 lakhs "without indigenous clearance," out of their savings of foreign exchange. Also, raw materials, components, consumables and spares would be allowed to be imported in the first year with value up to five lakhs of rupees. In subsequent years, such a unit will be required to comply with the prevailing import policy.

In order to encourage investment in Indian companies by persons of Indian origin living abroad, permission has been given for investing up to 20 per cent of new issues in new companies "with the right of repatriation of capital and dividend." The only limitation is that such investment will not be allowed in 22 industries with relatively low priority in the industrial policy of this country. If, however, the investment in a new company is made without availing of the right of repartriation of capital and dividend, there is no prescribed limit for investing in the equity capital of the new company. In order to facilitate matters in this regard, the assistance of the Investment Centre may be sought.

Special consideration has been accorded to the import of gifts. For a gift valued at Rs 500, no customs clearance permit is needed. In the case of a gift worth Rs 2,000 permit will be issued by the regional licensing authority. For higher values, only the Chief Controller of Imports and Exports will issue permits. For articles received as gifts for personal use, no appication fee is required to be paid.

import replenishment

The registered exporters will continue to enjoy certain facilities in regard to import replenishments of materials needed in the manufacture of products which are exported. The value of the import replenishment (REP) licence varies from one per cent to 80 per cent of the value of exports. The highest percentage at 80 of the replenishment licence has been fixed in regard to the export of cut and polished diamonds. And the items permissible for import have been indicated against export product. While REP licences are valid "within the value of the licence", samples valued up to Rs 10,000 are allowed to be imported, though two other conditions are also attached. First, the import of each type of sample will be restricted to two. Second, certain products such as TV sets, air conditioners, refrigerators, cooking ranges, washing machines etc. (the number of such products is 17) will not be allowed to be imported under the replenishment licences. However, to assist the registered exporters (whose exports each year are Rs 10 lakhs or more) in streamlining their offices, the import of such office machines as electric typewriter, electrically operated calculation machine, photo copying machine, dictaphone etc. is permitted. Also, the sale of a wide variety of goods including jewellery to foreign tourists by registered exporters will earn them the replenishment licences. Despite all the care taken in the formulation of the import policy for registered exporters, some hardship might be caused to registered exporters. Such cases of hardship may be re-examined, on application, by the committee of export promotion officers under the Chief Controller of Imports and Exports.

Export houses have come to occupy an important position in the export effort

of this country. Like registered exporters, they have enjoyed certain privileges hitherto which will be continued in 1978-79. The Reserve Bank of India will allow an export house to utilise foreign exchange up to 2.5 per cent of exports in 1977-78 for promotional activities and import of testing instruments and equipment needed for packing, tagging and other activities.

In addition, a number of changes have been initiated in procedural matters so as to reduce unnecessary paper-work. In order to operate an import licence, there will be no need in future for a separate letter of authority. The replacement of goods damaged in transit can be made without an import licence or customs clearance licence. Also, there will be no restriction on the transferability of replenishment licences from person to person. The facilities for sending equipment and other items overseas for repair and return have been decentralised and a licence for this purpose would be issued without scrutiny.

The age-old institution of established importers has been done away with since it will be an anomaly in the new scheme of things. Already the established importers' role in the import policy had been drastically reduced. In 1977-78 (up to January 1978), the value of import licences issued to established importers was Rs 30.13 crores out of a total of Rs 5,965.81 crores. While some established importers would feel irked by their elimination from the import policy for 1978-79, the extension in the OGL list and the liberalised import policy enunciated by the government will more than make up for the loss of this category of importers.

Encouraging exports

THE EXPORT policy for the current financial year, announced by the minister for Commerce, Mr Mohan Dharia, on April 3, makes some expected noises. It has been framed in line with the philosophy of the Janata party, which has three principal objectives relating to exports. These are (i) minimising of social costs of exports, (ii) removal of unnecessary hurdles in the way of export trade in general, and (iii) fostering of the exports of the small-scale sector the development of which is to be accelerated in terms of the objective of eradicating unemployment in a period of about 10 years.

The setback to exports last year, in the sense that the rate of growth tended to go down significantly—from 25 per cent to just around nine per cent—although in actual value, the exports during the nine months to December registered an improvement to Rs 3,952.44 crores from Rs 3,637.12 crores during the corresponding period in the previous year, has not deterred the government from continuing with the deliberate policy of regulating, restricting or even completely stopping the shipments of several items of mass consumption such as sugar, fresh vegetables (including onions and potatoes), vegetable oil, oilseeds, groundnut extractions, rice, pulses and cement. This is being done in the interest of containing the prices spiral.

Ostensibly, the above should suggest that the government is not as keen on exporting and earning foreign exchange as had been the case till about two years ago, since when large remittances by Indians abroad and considerable dwindled imports of such materials as metals (both ferrous and non-ferrous) and foodgrains have contributed to our foreign exchange position becoming quite comfortable. The regulation or stopping of exports of the items of mass consumption cost the country's foreign exchange earnings to the tune of Rs 375 crores during April-December, 1977, as compared to this period in 1976. But if note is taken of the fact that imparting of stability to domestic prices makes our position more competitive in the world markets, which are experiencing a much higher rate of inflation, the above loss need not be grudged.

It is encouraging, of course, to note that the government is not dogmatic in the pursuit of its policy towards exporting items of mass consumption. This is pursued primarily when conditio scarcity arise. Adjustments are ma it whenever they are warranted. A nent case that can be cited in this co tion is that of exports of sugar and gu spite of slump in the international market, exports of this commodity, w were stopped last year, have been all to be resumed following a marked imp ment in the supplies in the dom market as a result of bumper sugar crop and an equally impressive outpu sugar during the current season. Exp of gur too were banned last year when prices for the domestic consumer w high. They have been resumed in the few weeks. The same policy is propo to be followed in the case of potatoes onions should their prices at the grow level go down unreasonably.

policy consideration

Most of the items permitted for expo continue to be on Open General Licen in the new policy. No export licences required in such cases. An improvem that has now been effected is that custo will henceforth allow the exports of p mitted items, subject to the prescrib procedures and conditions, without t central authorities at New Delhi speci cally coming into the picture. In rega to these exports, the overall policy cons deration of improving the unit valu either through canalisation or throug stipulation of the minimum export price of course, is being adhered to. Canalisa tion has obviated cut-throat competitio amongst exporters to the disadvantage o the country. Similar has been the effe of the fixation of minimum export pric obligations for particular items.

The government has shown the same pragmatism in regard to exports of canalised items as it has envinced in the case of the regulation of exports of articles of mass consumption. As a result of this, exports of kuth, goat hair patties, knitwear (woollen and mixed), barytes, footwear and ERW pipes have been decanalised. In the case of footwear, the minimum export price obligation for particular varieties has been prescribed.

In respect of the exports of the decentra-

ndustrial sector, the new policy is a d improvement over the one follow- nerto. Special consideration is pro- to be shown to the exports of items factured by the small-scale, tiny and ge industries effected by export s. The minimum export performance for the grant of export house certifi- has been set lower in the case of -scale manufacturers as well as con- of small-scale units. The export es which export products manufactur- the decentralised sector are to be ided greater weightage for these rts as compared to their exports of products of larger units. In addition e replenishment licences granted to rt houses on their own exports, addi- al licences will be given to them this , calculated at five per cent of the orts made last year of select products nufactured by large-scale units plus per cent of the exports of select pro- ts manufactured by small-scale, tiny cottage industries.

licensing decentralised

The policy towards export houses has en liberalised greatly even otherwise. ensing of these houses has been decent- ised to places where their offices are ated. The coverage of the RBI scheme providing foreign exchange facilities them has been widened and the limit ised to Rs 5 lakhs. Beyond this limit, e expenditure will be debited to the con- rned REP licence as at present. The EP licences issued to export houses or ansferred to them by other registered xporters can henceforth be used by them ot only for the import of items appearing the respective licences but also the apital goods placed on the open eneral licence, subject to actual user ondition, as well as the raw materials, omponents and spares allowed to be mported under OGL for industrial actual sers. They can be sold however only to ersons eligible to secure such items.

The additional licences granted to export houses in terms of their ex- ports of select products manufactured by the small-scale, tiny and cottage indust- ries and also select products produced by large-scale units will be valid for the im- port of items in the restricted list for actual users, except some of those specially identified in this context. Import of any single item under this provision is not to exceed one lakh of rupees in value. These goods can be sold to the eligible actual users.

The policy concerning registered exporters, similarly, has been liberalised significantly. The distinction between merchant-exporters and manufacturer exporters has been removed in respect of the nature and quantum of REP licences. Three more items have been allowed for direct import by registered exporters even though their imports for actual users remain canalised. The obligation on the part of exporters of gems and jewellery to purchase 20 per cent of their requirements of rough diamonds through the Minerals and Metals Trading Corporation has been removed in the interest of boosting exports of cut and polished diamonds. The import provisions made in the case of electronic items, spectacles and goggles and stainless steel products can be expected to step up the exports of these items, particularly from the small-scale sector. The system of advance licensing has been made operationally faster and functionally more competitive. The system of taking a joint bond between a merchant-exporter and a nominated manufacturer for the issue of advance licences to execute specific export orders has been extended so as to help the canalising agencies increase exports.

The policy of setting up 100 per cent export-oriented industries has not been abandoned. Along with the promoters of 13 other industries or projects of vital interest to the country, the investors in export-oriented industries will be allowed to invite global tenders for their requirements.

Yet another important provision made in the new policy is the making of the organisation of the Director-General of Foreign Trade (hitherto that of the Chief Controller of Imports and Exports) as the focal point for dealing with the problems of exporters, maintaining liaison for this purpose with other ministries concerned and also for investigating complaints from foreign buyers against them. The purpose of this provision is to shift the emphasis from regulation of exports to systematically developing them. It, however, remains to be seen whether in the pursuit of this new emphasis, conscious efforts would be made to keep up exports, even though on a limited scale, of items which do not fall under the category of mass consumption to make the presence of the country felt in the world markets. Switching on and switching off of exports is not always desirable in the long-term interests. A well-planned strategy has to be followed in this connection.

It is heartening that notwithstanding the policy of ultimately doing away with cash assistance for exports, which is costing the central exchequer about Rs 400 crores per annum, no change in general

Eastern Economist 30 Years Ago

APRIL 16, 1948

Statements about the food position latterly, have tended to be increasingly cheerful. Recently, the favourable import availabilities and better internal procurement led the Food Minister to make the categorical announcement that there would be no famine in the country. A favourable development of recent weeks is the buiding up of a sizeable reserve, information on which was not available when we wrote on the subject last. With the building up of a reserve the Food Administration's effective handling of an emergency will be more feasible and therefore it may be readily conceded that in so far as the shortages of supplies are concerned the worst is over. But this conclusion is subject to the very important qualification that this balance in our food budget does not provide us a clue as to whether or not there is a big gap as between food requirements or needs and food supplies. This, however, is no new phenomenon. Even before the war some 30 per cent of our population was victim to malnutrition and under feeding. This situation if anything has worsened during the war and it is therefore, very important to emphasize the point that our so called balance in the food budget is only an illusion. This indeed needs to be dinned into Authority's ears; for their seems to be a fair amount of complacency in certain quarters and the belief seems to have gained ground that if large scale deaths from starvation are avoided there is nothing more to worry about it.

has been proposed in the new policy. This cash assistance, in fact, is a misnomer. It is provided to compensate the exporters for various taxes, such as octroi, sales tax, etc., at the intermediate stages of manufacture, which cannot be concretely quantified. The assistance being provided currently should go down significantly as a result of the proposed abolition of octroi. The same, however, cannot be said in respect of sales tax. Compensation on this score to exporters, thus, will have to be continued. Care, of course, has to be taken to control the malpractices which have developed into this system and to make the disbursements on this account less cumbersome.

The recasting of the procedure applicable to exports of commodities within limited ceilings on "first come-first-served basis" is quite judicious. It should assist outstation parties to participate in export trade in an effective manner.

Overall, the new export policy reflects a welcome trend towards liberalisation in the economic sphere. Industry and trade should certainly rise to the occasion and increase exports. But a decisive role will have to be played by government policies for augmenting exportable surpluses by means of raising production and productivity.

Public relations and foreign trade policy

THE PRESS note issued by the government of India on the import-export policy for 1978-79 said that "public relations will be given the utmost importance in the new system". Mr Mohan Dharia, Commerce minister, in his statement in the Lok Sabha, announced that, in order to help industry and trade, it had been decided to have public relations officers in each licensing office to assist and guide the applicant in the scrutiny of his application before submitting it. He added that this arrangement would "considerably overcome irksome deleys in disposal". The Commerce minister's statement seems to suggest that the task of the PROs will be confined to help businessmen in preparing their applications properly. This procedure will, of course, facilitate to some extent the expeditious disposal of applications for licences. But should not the PROs have a wider role?

Mr Mohan Dharia said that the new policy "is easy to read, simple to understand and less than a third in sheer size of the previous one." Even so, businessmen, especially those engaged in the small scale, tiny and cottage sectors, will need clarification, guidance and assistance on various aspects of the import and export policy and procedure. Therefore, the PROs should perform not merely the routine function of scrutinising applications but also assist importers and exporters with correct information regarding the implementation of the new policy.

The need to assign more responsibilities to the PROs arises also from the new role of the Chief Controller of Imports and Exports. His designation has been changed into Director-General of Foreign Trade. His office will perform not merely the licensing and regulatory functions but will also undertake various other activities relating to the development of foreign trade. According to the press note, "Its new tasks will include import management and analysis of data on trade and prices. It will be a focal point for dealing with the various problems faced by exporters, maintain liaision for this purpose with other ministries concerned and also investigate the complaints received against Indian exporters from foreign buyers". But what exactly is meant by "import management" which the office of the director-general is expected to undertake? How is it going to ensure coordination with the other official agencies such as STC, MMTC, TDA and export promotion councils in analysing the data on trade and prices? What about the complaints made by Indian importers against foreign supplies? Will this office investigate into them as well? In order enlighten the public on these aspects a to enable the Director-General of Forei Trade to perform his role effectively, will be desirable to entrust the PR with more powers and functions than wh is envisaged in the new policy.

unambiguous policy

The PROs will be able to serve th public well only if the policy itself is fre from ambiguities. For instance, cas assistance is one major aspect on whic exporters would like to have authoritativ information. The Alexander committe had recommended that there should b stability in this regard in order to creat more confidence and enthusiasm among exporters. But the new policy is vague i this matter. Mr Mohan Dharia has said that it is proposed to review the system of cash assistance in the context of the Alexander committee's report and take appropriate decisions.

Recently, confusion prevailed in the jute industry in Calcutta over the continuance of cash assistance. Reports from New Delhi suggested that the cash assistance had been reduced or withdrawn for certain categories of jute goods but the office of the Jute Commissioner was not able to confirm or contradict them. In January this year, the payment of cash assistance was suddenly suspended without telling the public why this was done and when it was likely to be resumed. In situations like these, what can the PROs do when the ministry itself is not clear about the policy?

It was expected that the new import and export policy would remain valid for three years, as recommended by the Alexander committee. But the government has not implemented this proposal. Mr Mohan Dharia told Lok Sabha: "There is need to impart stability to our trade policies and procedures. During the next three months, a committee under the chairmanship of Secretary (Technical Development) will entertain suggestions and recommendations and submit its views to the government, on the basis of which necessary modifications could be made. The policy now being announced formally for one year could then be ex-

ended for a longer duration". It is not lear from this statement what this committee is expected to do. For instance, vill it consider representations from ndustry for the decanalisation of more tems or about changes in the scheme of ash assistance? The government should spell out the terms of reference of this committee so that the public will confine ts suggestions only to those aspects which it is competent to deal with.

The need for an intelligent programme of public relations assumes greater importance in the context of the government's anxiety to encourage the small entrepreneurs, to develop backward areas, to persuade technically qualified people to return to India, and to promote the export of new products. Mr Dharia said: "Since 1947 our exports have increased more than ten-fold. In addition, thousands of new industrial units have emerged in different parts of our country. Our export-import trade is now considerably diversified in terms of commodities, sectors and regions". He explained that "a radically new system has been evolved so that our industry, agricultare, commerce and science and technology advance with the utmost speed and confidence".

The government expects that in 1978-79 the number of applications for import licences is likely to decline to about one lakh from 3.5 lakhs in 1977-78 and that the new procedure will considerably speed up their disposal. This task will be facilitated if there is more clarity and stability in the policies and the public is taken into confidence regarding the changes proposed to be made on the basis of the recommendations of the committee to be set up under the chairmanship of the Secretary (Technical Development). The Commerce ministry therefore should give more importance to public relations than what is indicated in the new policy.

STC's performance

ALTHOUGH, on provisional assessment, the total turnover of the State Trading Corporation (STC) during 1977-78 has shown an increase of only nine per cent over the previous year's figure—from Rs 976 crores to Rs 1,059 crores—there has been a marked improvement in its profitability. The trading profit for the year is estimated around Rs 34.4 crores, as against Rs 26.5 crores in the previous year, and other income at Rs 8.2 crores, as against Rs 6.5 crores. The gross profit, thus, has gone up from Rs 32.1 to Rs 42.6 crores. After making the necessary adjustments, the profit before tax is calculated to have gone up to Rs 35.9 crores from Rs 26.6 crores in 1976-77 and the profit after tax to Rs 12.5 crores from Rs 9.4 crores. This is despite the fact that the corporation had to incur a loss of Rs 2.13 crores on account of price support operations for rubber and seedlac. The profit on exports is stated to average around one per cent of the turnover and on imports up to four per cent. Could it be that the gain in profitability was due to the more efficient utilisation of internal resources, particularly in financing stocks?

The overall exports of the STC during 1977-78, of course, suffered considerable setback; they amounted to just approximately Rs 555 crores, as against the target of Rs 785 crores and actual exports worth Rs 666 crores in the previous year. There is, however, a heartening fact about them. It is that the exports of non-canalised items went up impressively by 54 per cent—from Rs 160 crores to Rs 247 crores, as against the target of raising them to Rs 172 crores. The serious setback to overall exports was caused by the dwindled shipments of canalised items. They aggregated to just Rs 308 crores, as against a target of Rs 613 crores and the 1976-77 shipments of Rs 506 crores.

This should evoke optimism about the future performance of the STC as further decanalisation of exports in the near future is not ruled out in terms of the Janata party's philosophy. Export earnings from non-canalised items have shown an impressive increase not only due to the larger quantities exported but also owing to the increase in the unit value of several items. The major increases in the non-canalised exports were in such items as coffee, jute products, finished leather, footwear components, spices, ready-made garments, cotton textiles and manufactured products processed by small-scale industries.

setback to exports

The setback to canalised exports was caused primarily by lower exports of sugar, semi-processed leather, cement, castor oil, etc., either as a deliberate policy under government direction or owing to other factors affecting world trade. Sugar exports, for instance were envisaged to go up from Rs 152 crores in 1976-77 to Rs 180 crores, but actually they were effected to not more than Rs 16 crores. Exports of cement at Rs 16 crores, similarly, showed a decline by Rs 17 crores compared to the previous year and as much as Rs 24 crores in terms of target set for 1977-78. The exports of castor oil amounted to about Rs 25 crores, as against the target of Rs 42 crores and the 1976-77 exports of Rs 31 crores, and those of semi-processed leather to Rs 117 crores, as against the target of Rs 130 crores and the previous year's exports of Rs 155 crores. Exports of rice were contained to just Rs 3 crores, as against the target of Rs 7 crores and the previous year's earnings of Rs 6 crores. There was also a significant shortfall in the exports of footwear—from a target of Rs 50 crores and the previous year's exports of Rs 30 crores to just around Rs 25 crores. The primary reason for this is said to be the severe winter in Europe, which affected the sales of sandals and chappals. Exports of shoes, of course, were well maintained.

With a view to stepping up exports, particularly of non-canalised items, the corporation is not only strengthening its organisational work but is also attempting to go in a big way for direct trading rather than on an agency basis. This applies especially to the products of the small-scale industrial sector and agricultural produce. Small beginnings in this direction have already been made in regard to tobacco and products of small-scale manufacturers. Efforts are also

being made to introduce STC's own brand names. It has already been done to some extent in the case of sports goods, footwear and processed foods. Assistance is being provided by the STC to small-scale industries for organising themselves into viable groups so that they can develop into a reliable supply base. A number of new items of small units has been identified for export in collaboration with the Development Commissioner (Small-Scale) Industries. The small units are being assisted for improving their technology in the interest of quality.

Several new items have been introduced by the STC in Europe. These include instant coffee, packaged tea, tapioca chips and dried mushroom. New markets are being tapped for several products—Japan for coffee, China for shellac, the USSR for gramophone records and Canada for high value leather shoes. A breakthrough is claimed to have been achieved in the exports of leather garments to Hungary.

Imports by the corporation during 1977-78, showed a marked increase to Rs 493 crores from Rs 301 crores in the previous year. They were targetted to go up to Rs 375 crores. Bulk of the increase, however, was accounted for by edible oils in the case of which a buffer stock of one lakh tonnes has already been built, comprising 40,000 tonnes of rapeseed oil, 30,000 tonnes of soyabean oil, 10,000 tonnes of palm oil and the remainder of groundnut and other oils.

edible oil imports

Imports of edible oils last year were of the order of slightly over five lakh tonnes, as against the normal imports of one to 1.5 lakh tonnes. To meet the requirements of the current oil year ending in October, the STC is understood to have already made arrangements for about 80 per cent of the estimated needs. Quite judiciously, it had entered into agreements for imports before the prices started moving up a few weeks ago. The corporation is confident that it will be able to meet its commitments to the vanaspati industry and also help stabilise the prices of edible oils in general. In view of the good mustard crop, the pressure of importing further large quantities of oils, apart from those already contracted, may not be there. The oils storage capacity, particularly near the consuming centres, is being strengthened. Sizeable imports of cement, to meet the current shortage of this building material, have also been arranged.

So far as the domestic market is concerned, besides going in for buffer stock/price support operations in the case of seedlac and natural rubber, the STC was able to bring down the prices of free-sale sugar through the release, under government direction, of about 8,000 tonnes from its godown stocks of approximately 47,000 tonnes. Exports of sugar have not been resumed as yet, although the STC has received authorisation for them, as the international market is very depressed at present and arrangements are also being made to adjust the export strategy to meet the foreign buyers' package preference. Shipments in 50 kgs. standard type lined bags are envisaged in future instead of in 100 kg. jute bags. Efforts are as well being made to select supplies from specific factories for separate shipments so that the complaints about mixing of supplies of different qualities from different factories can be obviated.

operating costs

The operating costs of the corporation are claimed to have been well contained, of course, in consonance with the growing volume of its turnover and the needs of holding a buffer stock of oils. Except for the ratio of stocks to sales, which nearly doubled last year because of oil operations, all the other important operational ratios showed a significant improvement over the previous year. Trading profits as a percentage of sales went up from 2.6 to 3.2 and profit before tax as a percentage of sales from 2.7 to 3.4. Overheads as a percentage of sales were maintained at the previous year's level of 0.8. The ratio of debtors to sales came down from 1.2 per cent to 0.9 per cent.

The total turnover of the STC group as a whole increased last year to Rs 1,305 crores from Rs 1,187 crores in 1976-77 and profit after tax to Rs 17.1 crores from Rs 13.7 crores. The total exports of the group amounted to Rs 656.2 crores, as against Rs 759.7 crores in the previous year, and imports aggregated to Rs 633.2 crores, as against Rs 414 crores. The domestic sales were of the order of Rs 15.6 crores, as against Rs 13.5 crores. The gross profit amounted to Rs 62.4 crores, as against Rs 49.8 crores. The net worth of the group as a whole went upto Rs 78.7 crores from Rs 64.9 crores and that of the STC alone to Rs 55.6 crores from Rs 46.2 crores. The trading profit of the group as percentage of sales improved from 3.4 to 3.9 and profit before tax as percentage of sales from 3.2 to 3.6.

performance of subsidiaries

Amongst the subsidiaries, the performances of the Handicrafts and Handloom Corporation, the Cashew Corporation, the State Chemicals and Pharmaceuticals Corporation and the Central Cottage Industries Corporation were more or less satisfactory, but that of the Projects and Equipment Corporation received some setback. The exports of this subsidiary aggregated to only Rs 34.8 crores, as against the budgetary target of Rs 60 crores and actual exports in 1976-77 of the extent of Rs 40.2 crores. Imports on the other hand, however, were higher at Rs 5.2 crores, as against the target of Rs 3.0 crores and the previous year's imports of Rs 1.5 crores. The trading profit went down to Rs 1.6 crores from Rs 2 crores in the previous year and the 1977-78 target of Rs 2.3 crores and the gross profit to Rs 2.1 crores from Rs 2.7 crores and the target of Rs 3.1 crores. The profit before tax amounted to one crore of rupees, as against Rs 2.4 crores in the previous year.

The decline in exports is stated to have been caused by the carry-forward to the next year of contracts of rolling stock exports to Uganda; those of petrol pumps, air compressors and dyeing booths to the USSR; of hand tools to the GDR; of tubular poles to Iraq; of textile machinery to Indonesia, and of coaches and wagons to Sri Lanka and Zambia. This had to be done owing to the delay on the part of buyers in arranging LC/deferred payment guarantees

For the current financial year, the export target, however, has been set 40 per cent higher than the exports in 1977-78. Major increases in exports are planned in the case of automotive accessories, bicycles and components, hand tools, building materials, rolling stock, etc., with special emphasis on exports to African, west Asian and south-east Asian markets.

CAPITAL'S CORRIDORS

R. C. Ummat

Wheat procurement • Oil and gas production programme • Coal prices and planning • Janata confabulations

DESPITE THE procurement of wheat during the ensuing rabi marketing season expected to exceed six million tonnes, as against approximately 5.2 million tonnes last year, the government is not contemplating any exports of foodgrains on commercial basis, apart from some exports of superior quality basmati rice. It is felt that even with the addition of six million tonnes of wheat to the existing stock, the peak level stock of foodgrains will not exceed 21 million tonnes. It amounted to about 16.3 million tonnes on March 1 and through normal releases around 11 lakh tonnes per month would have been drawn to approximately 14 million tonnes by the end of the current month or soon thereafter. The buffer-stocking policy of the government envisages a foodgrains buffer of the order of 12 million tonnes, in addition to an operational stock ranging between 3.5/3.8 million tonnes on April 1 and 8.2/8.8 million tonnes on July 1 in any year.

The production of wheat during the current rabi season is expected to be an all-time high—slightly more than 30 million tonnes—in spite of some damage to the standing crop due to recent hailstorms in some parts of Haryana and Punjab. On this expectation and taking into account various other considerations, the Agricultural Prices Commission (APC) has recommended, in its report on the rabi pricing policy for 1978-79, that the procurement price for all varieties of wheat in different states should be kept at the current level of Rs 110 per quintal. The other considerations that have weighed with the APC in making this recommendation are:

(i) A step-up in the procurement price for wheat and the maintenance of its issue price would involve a larger subsidy from the government. The issue price will have to be maintained in the interest of price stability.

(ii) An increase in the procurement price for wheat for the second year in succession—it was raised last year by Rs 5 per quintal—would neutralise the edge which the procurement price for gram at Rs 125 per quintal enjoys at present. The gram procurement price was raised to this level last year with a view to augmenting the supplies of pulses in the country.

(iii) The incentives for increasing the production of wheat do not imply attracting more acreage under this crop. The emphasis has to be on raising productivity through such measures as expansion of irrigation facilities and increasing the use of fertilizers.

(iv) The growers should be able to realise an overall improved price for wheat and other cereals if the effective demand for cereals goes up as a result of increased income in the hands of the poor through employment-oriented development programmes.

During the recent deliberations which the minister for Agriculture, Mr Surjit Singh Barnala, had with the chief ministers of the states on the subject, the chief ministers of the states producing surplus wheat, particularly Punjab and Haryana, argued in favour of increasing the procurement price for this foodgrain to Rs 125 per quintal in view of the increasing production costs. This was, however, strongly objected to by the chief ministers of wheat importing states, especially West Bengal and Bihar; they wanted the price to be maintained at the current level of Rs 110 per quintal.

In view of the APC's well argued case, there does not appear to be any chance of an upward revision in the procurement price for wheat. The case for not raising this price is also strengthened by the fact that in his fiscal measures, the Finance minister, Mr H.M. Patel, has seen to it that they do not push up production costs in the agricultural sector.

Some exports of foodgrains on the pattern of the supplies recently agreed to be made to Vietnam, Afghanistan and Indonesia, of course, are not ruled out. About four lakh tonnes of wheat have also been despatched to the Soviet Union during 1977-78. But they fall in a different category. They are against the wheat loan which we secured from the USSR a few years ago.

* *

Details are now available of the proposed step-up in the production of indigenous crude oil and natural gas during the next five years. The Oil and Natural Gas Commission (ONGC) produced in the year just gone by, 5.62 million tonnes of crude oil from its on-shore concessions and two million tonnes from the off-shore fields, making a total of 7·62 million tonnes. Its natural gas production was 682.06 million cubic metres from the on-shore areas; the output from off-shore concessions was just being flared because of lack of facilities for utilising it. The actual output of crude oil fell short of the target for the year by half a million tonnes—from the off-shore area—and that of natural gas by 22.19 MM^3.

During the current year, the production of crude oil from the on-shore concessions of the ONGC is expected to be raised to 5.95 million tonnes and that from off-shore areas (Bombay High, North Bassein and B-38 structures) to 3.85 million tonnes. The gas output is envisaged to be of the order of 624 MM^3 from the on-shore concessions and 347 MM^3 from the off-shore areas. In the subsequent four years, whereas the production of gas from the on-shore concessions is expected to be 607 MM^3 per annum, that from the off-shore areas is proposed to be stepped up to 590 MM^3, 1,328 MM^3,

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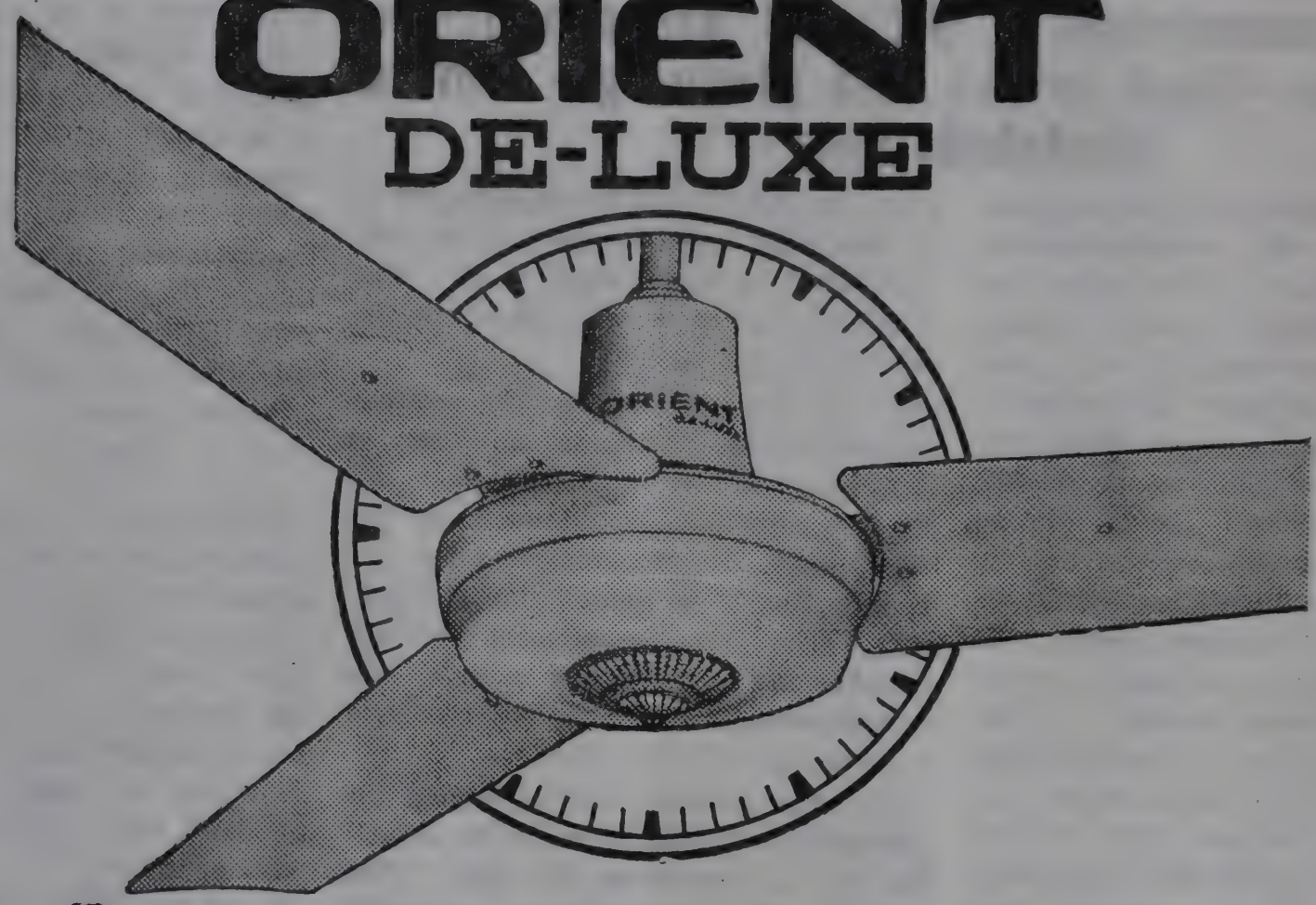

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1,685 MM³ and 1,940 mm³, respectively. The on-shore areas are targetted to yield crude oil production of the order of six million tonnes in 1979-80, 5.6 million tonnes in 1980-81 and 5.9 million tonnes in each of the subsequent two years. The output of crude oil from the off-shore areas is proposed to be raised to 5.75 million tonnes next year, eight million tonnes in 1980-81 and nine million tonnes in each of the next two years. By 1982-83, the ONGC thus, will be producing 14.9 million tonnes of crude oil and 2,547 MM³ of natural gas.

The other explorer in the country, namely, Oil India Limited, produced last year from its Upper Assam concessions 3.13 million tonnes of crude oil and 1,541 MM³ of gas. This year, its output of crude oil is anticipated to be 2.83 million tonnes and that of gas 1,587 mm³.

efforts at conservation

If the production of Oil India is maintained around three million tonnes per annum for the next few years, we will be producing indigenously nearly 19 million tonnes by 1982-83. The Planning Commission, however, has fixed a target of crude oil production for that year at 18 million tonnes. This apparently has been done with a view to conserving the non-renewable resources of energy.

The consumption of petroleum products, which was estimated around 25.94 million tonnes last year, is anticipated to grow to 36.32 million tonnes by 1982-83. We will, thus, be meeting just about half the requirements from indigenous sources by the end of the next Plan period.

The above, of course, does not imply that there is going to be any relaxation in the exploration effort. The strategy of the ONGC in its on-shore eastern sector, comprising the Assam-Arakan basin, is envisaged to be finding of substantial new reserves in the sizeable and discernible structures as there are indications of good unexplored reserves available there. In the western sector, comprising Gujarat, where considerable exploration has already been carried out, the ONGC intends to concentrate on detecting subtle traps and on the less-intensely explored portion of the Cambay basin. A relatively cautious approach is to be adopted in the other regions as these are ill-explored or virgin and the risk-to-reward ratio is high.

Oil India is envisaged to intensify its exploration efforts for establishing more reserves around Jorajan-Kathalguri and Santhi-Jaipur areas of Assam and in Arunachal Pradesh.

The approach in off-shore exploration is to carry out detailed seismic surveys and exploratory drilling of all the off-shore regions, including the Andaman and Nicobar islands. According to prognostic studies, about two-thirds of the country's oil reserves are located in the sedimentary basins off-shore. The bulk of these reserves is yet to be explored and proved. More intensive work, therefore, needs to be done in these areas to assess properly the country's oil potential. While most of the exploration will be done by the ONGC, some areas may be leased to other agencies. Thus, Oil India will carry out exploration in the Mahanadi delta. By the end of the next Plan, it will be possible to arrive at dependable estimates of the country's off-shore reserves.

While production of crude oil from on-shore areas of ONGC and Oil India will be maintained around nine million tonnes per year, the ONGC proposes to further develop its oilfields in Bombay High and Bassein structures to acquire a production capability which can peak 12.5 million tonnes per year. However, in order to conserve oil resources, it may be necessary to restrict production from these fields to around nine million tonnes per year.

* *

Even though through the imposition of excise duty in this year's central budget and the levy of a cess by the West Bengal government, the prices of coal have been stepped up quite significantly, the plea of Coal India Limited—the prime public sector undertaking in the field—for an upward revision in these prices on the consideration of production costs still remains to be acceded by the union government. As a sequel to the unremunerative coal prices, following no revision having been effected in them since July 1, 1975, Coal India incurred a loss of approximately Rs 26.93 crores in 1975-76 and as much as Rs 45.5 crores during the subsequent year. The Singareni Collieries Limited, the other public sector enterprise in the coa industry—earned a profit of Rs 3.82 crore in 1975-76, but incurred a loss of Rs 2.6 crores in 1976-77. The financial resul for 1977-78 are yet to be available, bu owing to the further escalation in produc tion costs and also the ex-gratia paymen that had to be made to the employee during the year in lieu of bonus, th losses of the two undertakings apparentl should be much more, as the cost of pro duction of coal currently is stated t exceed the average sale price by abou Rs 10 per tonne.

A committee has been appointed recently to identify the possible economies that can be effected in production costs. It is expected to submit its report by the end of this month. A decision on allowing some increase in coal prices, therefore, is envisaged to be taken only after the consideration of this report.

That the Planning Commission has gone in for tight planning on the coal front for the next five years should be evident from the fact that its assessment of the requirements of coal in 1982-83 at 150.5 million tonnes is lower than the 155 million tonnes figure thrown up by the recent studies of Coal India. The following table gives the comparative assessment of the two organisations of the requirements according to the major consumer sectors.

1982-83 Requirements of Coal

(Million tonnes)

Consumer Sector	Planning Commission's assessment	Coal India's assessment
Steel	34.00	35.50
Power	54.00	54.50
Railways	11.80	11.80
Fertilisers	4.70	4.70
Cement	7.20	7.20
Soft coke & LTC	6.50	7.50
Others	32.30	33.80
Total	150.50	155.00

While on the basis of its assessment, Coal India Limited would have desired a higher output target for 1982-83, envisaging all the requirements to be met from indigenous sources and one million tonnes exports, the production target set by the

Planning Commission is 149 million tonnes on the consideration that the import of one million tonnes of superior quality coking coal in that year would reduce the overall requirements by 1.5 million tonnes. The two public sector mining enterprises, according to the Planning Commission, will be required to produce 144 million tonnes; the remainder five million tonnes output would be accounted for by the captive mines of TISCO and IISCO.

The current year's coal production target has been set at 113 million tonnes, as against 105 million tonnes for 1977-78. The 1977-78 target, however, had to be reduced during the mid-year from 108 million tonnes in view of the slackness in demand. The total demand during 1977-78 turned out to be around 104.5 million tonnes, as against the original estimate of 109 million tonnes. The actual production was around 101.5 million tonnes. The remaining demand was met by drawing upon the accumulated stocks at pitheads from 14.51 million tonnes to 11.59 million tonnes (by the end of February). In terms of the original target for the year, the accumulated stocks were proposed to be drawn down by about a million tonnes.

* *

In spite of the fact that the Janata party has won the prestigeous Lok Sabha election from the Karnal constituency of Haryana, this election is understood to have created a good deal of rethinking in the party circles, as the margin of victory has been reduced to less than 10 per cent of the margin by which the seat was won by Janata in the last year's Lok Sabha elections. Concerted efforts are being made to thrash out ths differences among the various constituents of the Janata party. An evidence of this was available at a dinner hosted by the prime minister to the erstwhile leaders of the BLD, the Jana Sangh, the Socialist group and the Congress for Democracy. Prior to this dinner confabulations, the Janata parliamentary board also devoted a good deal of thought to the internal bickerings. It was stressed that *inter-se* differences ought to be discussed at the party level itself, instead of ventilating them in the open, A patch-up appears to have been attained, but it remains to be seen how long it will last. It is, however, proposed to hold similar meetings periodically.

Department of Atomic Energy

Directorate of Purchase and Stores (Central Purchase)

Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

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2. DPS/BARC/IEE/1544 DUE ON 19.5.78: Atomic Absorption Spectrophotometer with microprocessor background corrector, automatic gas control and projection scale. 1 No.
3. DPS/BARC/MHD/IEE/34 DUE ON 23.5.78: Standard Signal Generator frequency range 0.01 Hz to 10 MHz.
4. DPS/VEC/IEE/77 DUE ON 23.5.78: Portable dual channel Oscilloscope bandwidth DC to 200 MHz. 1 No.
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Tender documents priced Rs. 20/- each for items 1, 5, 9, 10, 11, 13, 14, 17, 18, 21; Rs 25/- each for items 3, 4; Rs. 30/- each for item 6, 8, 20; Rs. 40/- each for items 7, 12, 15, 19 and Rs. 60/- each for items 2, 16 and General conditions of contracts priced Re. 0-50 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Building, Palton Road, Bombay-400 001 between 10 a.m. to 1 p.m. on all working days except on Saturdays. Import Licence will be provided only if the items are not available indigenously. Tenders will be received up to 3 p.m. on the due date shown above and will be opened at 4 p.m. the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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Planning and progress in Andhra Pradesh

Sagittarius

Andhra Pradesh is on an extremely good wicket as regards its revenue receipts. With plentiful funds at the disposal of banks and prospects to larger assistance from the Centre, punitive taxation can be avoided.

THE SPECTACULAR progress made by Andhra Pradesh in economic development of the region in the past few years should serve as an eye opener of what can be achieved if there is purposive planning and heavy investment for productive purposes. Even with the availability of large hydel potential, water resources and mineral wealth not much was done in the early years of planning and the main preoccupation was construction of the Nagarjunasagar project. This project too was not completed expeditiously with the result Andhra Pradesh was occupying a backseat in the country's economy. The situation, however, has vastly changed and the state government is in an extremely happy position with a buoyancy of revenues and high level of Plan outlay.

The budget estimates for 1978-79 are in strong contrast with those of Tamil Nadu, Karnataka and Kerala. Even with a stepping up of Plan outlay to Rs 449 crores from Rs 380.38 crores in 1977-78 there will be an uncovered deficit of Rs 57.26 crores while the gap in Karnataka's budget is of much higher order at Rs 64.92 crores even with a lower Plan outlay of Rs 324 crores. The allocation for power schemes alone in Andhra Pradesh will be Rs 180 crores in 1978-79 and on major irrigation schemes Rs 130 crores. Agriculture will account for Rs 38.36 crores and minor irrigation Rs 9.63 crores. It will thus be seen that over 80 per cent of aggregate Plan allocation will be in respect of these groups.

The expeditious completion of hydel and thermal projects has been reflected in a vastly improved power situation. During the year the third unit of 115 MW in the lower Sileru project was commissioned and the fourth unit of similar capacity will be in operation shortly. The first unit of 110 MW under the fourth stage of expansion at Kothagudem was put on bars in March last year and the second unit in this phase in January this year. The first 110 MW unit in the Nagarjunasagar project has also been commissioned and the installed generating capacity of the state electricity board at the end of 1977-78 will be 1678 MW. The first unit of 210 MW at Vijayawada thermal station is scheduled to be in operation in 1978-79.

The construction work in the Srisailam project is making rapid progress. Apart from an expenditure of Rs 32 crores in 1977-78 the allocation for 1978-79 is Rs 40 crores. It can surely be expected that there will be substantial additions to capacity in 1979-80 with further progress in Srisailam hydel project and Vijayawada thermal station. With easier availability of power rural electrification programmes are being executed vigorously and large programmes of energisation of pumpsets has been undertaken besides electrification of villages.

The irrigation potential is being beneficially exploited and the development of the command areas of Nagarjunasagar and Pochampad projects is yielding substantial benefits to farmers in the region. The outlay on these two project areas alone will be over 50 per cent of the allocation for irrigation projects. As a result of fresh expenditure an additional 2.01 lakh hectares will be brought under irrigation. The Godavari barrage is also being rapidly constructed and the objective is to complete the substructure work for ensuring that there is no damage to the anicut.

Since the state government is mainly preoccupied with the execution of power and irrigation schemes and the creation of infrastructure facilities the development of industries is taking place in the central sector and in the joint and private sectors with the provision of necessary incentives. The efforts in this regard have been successful as two large paper mills have been promoted while arrangements are under way for a giant fertiliser project in coastal Andhra Pradesh. The existing industrial units in the private sector have also been expanding their activities steadily.

POINT OF VIEW

a bold bid

With a fast growing industrial complex in Visakhapatnam and Hyderabad areas and the springing up of new industrial units in other regions, Andhra Pradesh is also making a bold bid to be a well developed industrial state. The picture is likely to undergo a metamorphic change in the coming years with no constraint on power availability and a well organised agricultural sector. The recent announcement relating to the establishment of a super-thermal station at Ramagundam augurs well for the future. The huge coal based fertiliser plant in the same area is also likely to be in operation by the end of this year or early 1979. With expanding budgetary resources and liberal assistance, vigorous Plan implementation should yield highly fruitful results.

The state's finances too have improved vastly in recent years. In 1976-77 there was a revenue surplus of Rs 110.86 crores in the accounts and the opening balance of (minus) Rs 29.10 crores was converted into a surplus of Rs 55.67 crores. In 1977-78 also there should have been no difficulty in regard to the availability of

resources for non-Plan and Plan purposes. But the disastrous cyclone in the coastal area in the last quarter of 1977 affected revenue receipts and resulted in a big increase in expenditure. As a consequence a revenue deficit of Rs 19.46 crores emerged in the revised estimates against a surplus of Rs 60.69 crores in the budget estimates. As there was also an increase in Plan outlay the deficit on capital account was Rs 56.67 crores even with larger receipts. Thus, in spite of a smaller capital deficit of Rs 56.67 crores against Rs 123.55 crores (budget) there will be a closing minus balance of Rs 20.46 crores after utilising the credit balance of Rs 55.67 crores, at the beginning of the year. It is however quite likely that there will be an improvement over the revised estimates when the accounts are finalised.

As regards budget estimates for 1978-79, the revenue receipts will be higher at Rs 832.53 crores, way ahead of the estimates of Tamil Nadu and Karnataka. With expenditure at Rs 803.61 crores there will be a surplus of Rs 28.91 crores on revenue account. With big increase in capital expenditure to Rs 434.57 crores from Rs 380.63 crores, there will be a deficit of Rs 86.17 crores even with an increase in receipts of Rs 348.39 crores from Rs 323.96 crores. It can be expected that there will be larger central assistance as it is the anxiety of the government to execute expeditiously ongoing schemes, in the final stages of completion.

As it is also probable that there will be a larger devolution of revenues from the centre the new state Finance minister has sought only an vote on account and may decide on new levies only later in the year in the light of new developments. With plentiful funds at the disposal of banks and larger assistance from the centre fresh punitive taxation can be avoided if only tax dues are properly collected and the new potential is fully exploited. Andhra Pradesh is on an extremely good wicket and an increase in the regional income should be automatically reflected in expanding revenues and the Rs 1000-crore mark in the revenue budget may be easily surpassed in 1980-81. This is indeed a happy prospect.

Indo-German cooperation: the Nilgiri story

Harji Malik

Figures do not tell the whole story of the fruits of the Indo-German Nilgiris Development Project. Both small and big farmers have benefitted from the project, which has not only been able to eradicate nematode pest, deadly to potato crop, but has also been instrumental in introducing high yielding rice varieties and better tapioca and spice crops.

A DECADE of joint effort by Indian and West German agricultural experts ended on March 18, when the Indo-German Nilgiris Development Project was officially handed over to the government of Tamil Nadu in Ootacamund. Ten years ago a team of German agricultural scientists had arrived in the Nilgiris to join the Indian task force trying to save the farmers of the district from economic ruin. Their enemy was the golden nematode, a pest threatening the entire Nilgiris potato production, already severely hit by the world-wide "late blight" disease. On potato production depended the economic survival of the vast majority of more than 16,414 farm holdings in this total area of 255,000 hectares. The success of the project's work can be assessed by the fact that the Nilgiri potato is still in the market and the prosperity of the district is increasing.

Many changes have taken place in its cultivation and production patterns. For, along with attacking the specific nematode problem the project took over the entire extension work in the district and, in 1975, implemented the Hill Areas Development Programme as a subsidiary scheme. According to Nilgiris Collector, Mr Dharamarajan, the project has spent six to six and a half crores of rupees over the past six years on pesticides, fertilizers and equipment while nearly two and a half crores of what are called "counterpart funds" have gone into overall development. (Counterpart funds are those resulting from the sale of fertilizer and pesticides imported free of cost and supplied by the West German government in the initial years of the project).

The Tamil Nadu government now takes over vehicles, bulldozers, special trucks, sprinkler systems, a sophisticated soil testing laboratory and special nematode laboratory, all imported for the project by the Bonn government.

What has this international cooperation meant to the Nilgiri farmer in concrete terms? Barbi Raj of Khatti village with his two acres of land has one answer. In 1961 his whole crop of potatoes was affected by "late blight". Although the Nilgiris produce only 10 per cent of the national potato crop, the potato was both the base and core of rural economy. As happened with the majority of farmers, Barbi Raj's potato yield finally fell below seed level. The final blow was the discovery of the golden nematode, a pest so deadly, so difficult to control that the government threatened to terminate potato cultivation in the Nilgiris just to save the potato in the entire country.

Desperate local farmers protested and West German expertise, advanced in this matter, was called in to help attack the problem. "Before the work of the project started", says Barbi Raj, "we had attributed bad crops to God or to too much rain. The project pinpointed the causes". Even after "late blight" had been eliminated and disease resistant seed distributed, Barbi Raj's yield remained unsatisfactory because of the nematode.

Only after the importation of the 790 metric tonnes of the nematicide "Dasanit", free of cost at that stage, from West Germany in 1970 and its use for three years as part of the phased programme, was Barbi Raj able to improve his economic condition. Previously he had obtained three metric tonnes of potatoes per acre. Today his yield is eight to nine tonnes and instead of the imported, expensive Dasanit he can now buy an

digenously manufactured nematicide. ne problem common to both nematicides their residual toxicity, which, although is well below the tolerance level accord-g to project officers, still gives cause for ncern. For this reason the Central stitute of Pesticides has given the manu-cturer of the local product a one-year cence while further research is carried n.

Nevertheless if not totally eliminated, ne nematode has been controlled, and arbi Raj and his fellow farmers, big and mall, are back in potato production. Iowever chemical control of the pest plus ultivation of disease resistant varieties, ery difficult to produce, is not enough. Vell-trained extension workers, an impor-ant feature of the project, have explained o Barbi Raj that because mono-cropping of potatoes encourages the nematode he must diversify his cropping pattern. He should grow those vegetables not host to the nematode along with cereals and fodder.

economic advantage

Vegetables of the local varieties could not earn as much as the potato, nor were farmers like Barbi Raj, or even bigger farmers like farmer Nanjundiya, who with his family owns more than thirty acres, convinced that mono-cropping could mean total disaster. The only way to persuade the farmers was to offer them economic advantage. The project experimented with 324 varieties of vegetable seeds imported from different countries, finally selecting certain varieties suitable to the specific soil and climatic conditions which would give yields far superior to local varieties. A marketing survey carried out by the project showed that the market could absorb double the quantity of vegetables supplied, giving the farmer at least Rs 2500 per hectare equal to what he made from a healthy potato crop.

The two most paying varieties have turned out to be "September Cabbage" and "Zino" carrots. Barbi Raj, who with his three-fold increase in potato production now gets Rs 3000 to Rs 4000 per acre for his potatoes, can make even more, Rs 7,000 to Rs 10,000, from his "September" cabbage. He sells this, without any middleman involved, through the marketing organisation established in Ootacamund, headquarters for the project. He rotates his crop between potato, carrot and cabbage.

What are the signs of his increased prosperity? "I am sending one son to college", he says, while another is completing his agricultural training course. He has purchased a power sprayer run with a petrol engine and one more cow. This allows him to meet the household need and sell excess milk to the village milk cooperative.

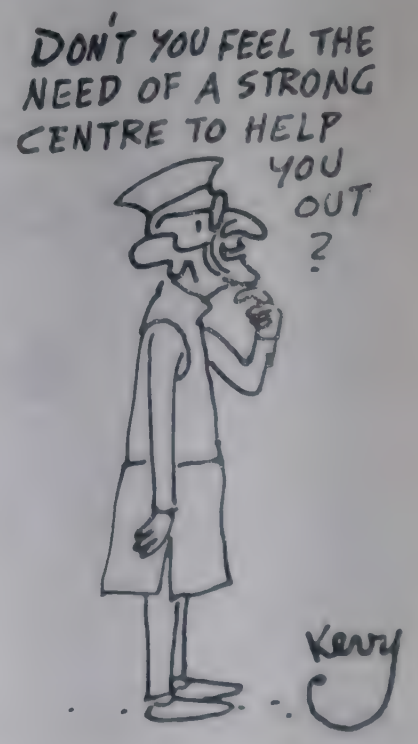
With his many more acres and increased profits farmer Nanjundiya has added a new sprinkler system costing Rs 15,000 to irrigate his terraces efficiently and he has enclosed many of his fields with barbed wire. "When I was first offered 'September cabbage' seed free I would not take it," he recalls. "Now I cannot get as much as I want." Other farmers have the same complaint.

This is one of the difficulties faced by vegetable growers. Multiplication of high yielding varieties has proved difficult. Cauliflower, peas and beans, all grown successfully here, have been multiplied successfully but because of short day conditions and lack of frost this has not proved true for the cabbage and carrot. Plans to propagate these seeds in Himachal and other suitable areas appear to have run into inter-state red-tape obstacles and only now has the National Seed Corporation been able to take up this activity in Kashmir. Up to 1974 all improved seeds were imported and according to the agricultural experts on the spot carrot and cabbage seeds may still have to come from abroad for some more time to meet the growing demand. This all depends on the NSC's success.

The area under vegetables has grown from 1,000 hectares in 1967 to 2400 hectares in 1977 out of which all but 300 hectares are under the new varieties. According to official figures Nilgiri farmers receive in all Rs 221 lakhs from cabbage cultivation alone, out of which Rs 91 lakhs is net profit for the district. This large increase in vegetable production has proved particularly profitable since February 1975 when the Nilgiri Vegetable Growers' Association, claimed to be the first marketing organisation of its kind in the country, was established.

Until then, according to the usual pattern, the middlemen, swallowed much of the cultivator's profit. The NVGA started functioning with a turnover of 2.70 metric tonnes to the value of Rs 9.96 lakhs, in its first year. This year, its third, the turnover has increased to 9,700 metric tonnes, valued at Rs 44.50 lakhs. More than 1,800 farmers, about 25 per cent of the total farming population participate in the association, the number, increasing every year, but forcibly limited at present by the transport and handling facilities available.

Collected directly from the fields, the produce is brought to Ooty for dressing, grading and packing and sent off to the marketing centres. The nearest is Mettu-



palayam but Ooty cabbage goes as far as Calcutta, Bombay and Delhi where markets are receptive because it is "out of seasons". Ultimately NVGA hopes to have direct contact with retailers in these cities through local offices.

Thanks to a good communications and information system the farmer knows what the market situation is in eight markets all over the country and the accounts system allows him to have sales reports for his produce within a week of the crop being harvested. He is conversant with costs, commissions etc, and receives payment promptly, in direct contrast to the delay tactics and other chicanery too often used by the middleman merchant. Procurement assistants supervise harvesting and loading and also advise farmers on staggering planting to avoid a market glut. Using motor cycles they are able to inspect vegetable fields regularly, fixing harvest dates in advance. In many respects the NVGA can be a model in efficiency and service, and will soon become a cooperative society.

Talking to local farmers reveals that both smaller and bigger farmers have profited from the project, although as is the general case with agricultural development in this country, the illiterate farmer at the end of the economic scale has so far been the least affected. Since the introduction of the Hill Areas Development Programme, small farmers are receiving more attention. Expert help to the small tea and coffee cultivator, assistance and advice on soil conservation, rejuvenation of horticulture in the Kukkal valley are some of the programmes in operation which will continue. Small farmers have also been helped by the introduction of improved varieties of wheat, barley and millet as part of the crop rotation practices vital to the anti-nematode campaign.

High-yielding rice varieties, better tapioca and spice varieties have also been introduced in this area for the same reason. But possibly the most impressive success in this line has been the development of good fodder crops which have greatly helped to send up the milk yield of the district by 122 per cent from 2,931,740 litres in 1967 to 6,489,816 litres in 1977.

Figures do not tell the whole story and as the decade of cooperative endeavou ends the human contribution deserve recognition. Extension workers connecte with the project on whom so much of the success or failure of agricultural programmes depends provide an example o what such workers can achieve when they are actively, intensely involved, and, an important point, have the means of transport to reach remote areas.

But a large part of their success in turn is due to the dedication with which both Indian and German experts have given of their best in these 10 years. As the Tamil Nadu government's secretary of Agriculture said in very non-bureaucratic language at the handing over ceremony in Ooty, the work of the project demonstrated "the human desire to make life better for fellow human beings". One example perhaps tells the story: a farmer rushed to the project's information centre one morning to say that his entire seed plantation had been affected overnight. That day the entire team was at his farm to tackle the problem and the crop was saved. If this kind of extension work continues these ten years will have proved their worth.

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Showdown for Japanese textile industry

The most important reason for Japanese textile industry's inability to break out of its recession is loss of international competitiveness. Here are some suggestions made by the Economic Research Division of the Long-Term Credit Bank of Japan Ltd. which, it is felt, could lead to the recovery of the Japanese textile industry.

JAPAN'S TEXTLIE industry has been strained to the breaking point by the recession which has lasted four years now.

The current deficit recorded by Japan's seven leading synthetic textile companies and nine leading spinning companies for the first half of fiscal 1977 totalled 36 billion yens and the ratio of profits to sales was 2.4 per cent. The cumulative deficit of these companies since the second half of fiscal 1973 has reached the level of 250 billion yens, an amount which is close to the total capitalisation of the companies. Because the textile companies have a long history they have relatively high asset holdings in the form of securities and real estate, and the companies have been able to survive and pay dividends by liquidating those assets. As those assets were acquired relatively long ago, they have greatly appreciated in value due to inflation, which has meant more revenue is gained by selling them now. During the two and a half years from the second half of fiscal 1974 to the second half of fiscal 1976, a 15-company total for the value of such liquidated assets comes to 340 billion yens.

In order to raise market prices, the cotton spinners and wool spinners have formed cartels, which were created in April, 1977; by this means production has been cut by 30 per cent. Further, the synthetic fibre makers have been instructed by the ministry of International Trade and Industry to lower operating rates by approximately 20 per cent. However, for both cotton yarn and wool yarn, prices have fallen to levels lower than those before the cartel was formed. The domestic price of synthetic fibres, further rose slightly toward the end of 1977 but export prices have fallen greatly and since late 1977 export contracts have not provided much cause for encouragement, increasing the possibility of further reduction of domestic prices.

The most prominent reason that Japan's textile industry cannot break out of its recession is its loss of international competitiveness. Japan's textile industry is caught between the southeast Asian countries and the United States and cannot free itself.

As is well known, the development of the textile industry in southeast Asia during recent years has been remarkable. Not only does production capacity of these countries include spinning, weaving, knitting and other aspects of the textile processing industry, but capability has even been achieved in the field of synthetics, where production demands high levels of technology and where the scale of investment is great (see Table I).

Synthetic fibres made in southeast Asia countries still are higher in price and inferior in quality as compared to the Japanese product, but because labour costs in those countries are low, yarn, cloth and secondary products which are made from these fibres are strongly competitive.

Development of the textile industry in southeast Asia is not only causing the Japanese textile industry the loss of export markets and export revenue but also threatening the industry in its domestic market, through exports to Japan. In the case of cotton yarn, for example, once the supply-and-demand balance has been restored and the market price begins to increase, the volume of low-price imports increases and the market tumbles; this has become an ordinary occurrence.

Synthetic fibres made in America have become more competitive since the oil shock, so that the problems of Japan's industry stem from conditions in that country as well as in Asia.

In Japan, imported petroleum is used

TABLE 1

Synthetic Fibre Production Capacity of Korea, Taiwan, Thailand, Indonesia, the Philippines, Malaysia and Singapore

(Unit: 1,000 tons/year)

	Southeast Asia	Japan	A/B
	(A) (end of 1975)	(B) (Oct. 1976)	
Nylon (F)	217	333	0.65
Polyester (F)	267	254	1.05
Polyester (S)	278	290	0.96
Acryl (S)	151	337	0.45
Total	913	1,214	0.75

Notes: F=Filament S=Staple fibre
Source: Japan Chemical Fibre Association

WINDOW ON THE WORLD

for major raw materials of synthetic fibres, but, on the other hand, in America imported petroleum is used for half of all raw materials and domestic petroleum and natural gas are used for the remaining half. As a result, the price of naphtha in America is about 25 per cent lower than the price in Japan, which helps make the price of raw materials for synthetic fibres 20—25 per cent lower there.

American exports

In the past, American synthetic fibre makers were content to produce solely for the domestic market, but since the oil shock and the consequent gain in price competitiveness made by the American companies, production surpluses have been exported to southeast Asia, China and elsewhere. These American exports, while still low, have nevertheless functioned to lower the price of competing Japanese exports.

Besides these conditions, the high value of the yen relative to the dollar starting in the middle of 1977 has increased the bewilderment in the industry even further.

An example: earnings from yen-base export contracts are down, because of the appreciation of the yen. This cutback in earnings has often been great enough to prevent even minute profits.

Thus, it is expected that the prices of acryl staple fibre and polyester staple fibre will not be enough to recover fixed cost, nor more than a portion of the variable cost. The market for domestic cotton yarn has been disrupted by increases in imports of cotton yarn of which the yen-based prices have declined because of the strength of the yen. Domestic cotton yarn makers are suffering from reduced profits, even, though their raw materials cost less than before because of the yen's appreciation.

Amidst the adverse conditions described above, there has been a tendency for differences between companies in the industry to become larger. Table II shows data for 15 important companies in the industry, divided into five groups each of three companies (the top three general textile makers who make synthetic fibres and spin cotton and woollen yarns; the three leading spinning companies; unique spinning companies which we may designate as "unique" because they are not common in Japan and who sell to predetermined clients and who exchange information with each other; the top three synthetic fibre makers; the second three synthetic fibre makers), so as to enable comparison to be made among the groups. While favourable performance is indicated for the unique spinning companies and the major synthetic makers, performance of the other three groups is clearly seen to be poor.

The causes of these differences among companies in the textile industry are identified as follows.

First, as a result of differences in the design of production processes and in the accumulation of technology, differences in costs and quality have developed. For example, among the unique spinning companies, delicate improvements, rather than massive investment in equipment, have made productivity per worker double that for the industry as a whole. Or, in the case of polyester fibres, the most efficient company uses raw materials which are 30 per cent cheaper than those used by more recent entrants in the industry. This is because the company's synthetics plant is located adjacent to the raw material supplier's plant. For firms located at a distance from the source of supply, raw materials must be cooled to have them become solid, so that they may be transported to the user's plant where they are liquefied for use, all of which increases costs. But when the source is adjacent to the user's plant, raw materials may be transported in liquid form by a pipeline, so that the raw materials acquisition cost, including the cost of energy, is kept low.

TABLE II

Growth of Inter-firm Differentials

(Unit: =100 million)

	Capital	Current profit/loss, fiscal 1977	Cumulative current profit/loss (First half, fiscal 1971 to first half, fiscal 1977)
General textiles	728	△226	△731
Medium-scale spinners	125	△ 54	△280
Unique spinners	177	22	763
Major synthetic makers	1,327	△ 4	2,665
Medium-scale synthetic makers	297	△ 98	166

close cooperation

A second cause of the differences between groups of companies in the industry is close relationship between the prominent processing companies and secondary product makers, involving mutually useful exchanges of information, as well as continued improvement of product quality. Since some time in the past, the synthetic makers have had the processers, downstream, as closely affiliated companies, with the result that trouble (broken yarn, fluff, dyeing defects, etc.) was resolved by a joint effort. Because the processing companies prefer to work with materials with which they are acquainted and thus tend to rely on the older synthetics makers who find it easy to cooperate when needed. The newer makers, however, experience difficulty not only in cultivating customers but also in providing important services at such times as when trouble occurs after a sale has been made.

Third, differences in the relative weights of general-purpose products and high value added products in sales receipts have caused differences to develop between groups of companies. For example, for spinning companies, it becomes possible to stabilise and elevate profits by sale of dyed fabrics to predetermined clients rather than to sell yarn in the open market, because the yarn is a product subject to wide fluctuation of market price. However, risk is increased by following this approach, and the cost of working capital is increased to the extent that the processing period is lengthened. These conditions have not come to be general among the spinning companies, but the unique spinning companies have been doing this

r 10 years already. They have been ble to increase profits, lighten interest urdens, and improve use of capital assets y elevating the degree of processing, hereby creating a favourable cycle.

Providing that the real growth rate of he GNP averages about five per cent and he real rate of growth of domestic consumption of textiles is almost three per cent, the outlook for supply and demand of textiles from 1976 through 1980 could easily be as follows.

bleak future

Regarding synthetic fibres, even if exports remain at present levels and domestic demand grows at five per cent, for operation rates in 1980 to recover to the level of 1970 would mean accepting a surplus of 20 per cent of production equipment. However, if the export environment deteriorates, as anticipated above, it could easily turn out to be impossible to maintain export volumes at present levels. Even if those levels can be maintained, the profit-and-loss position of the industry would become poorer than before.

The difference between the cost of petroleum in the United States as compared to its cost in Japan may be expected to eventually decrease, in view of consideration of the likelihood that the weight of petroleum imports will be increased as a result of avoiding an increase in use of domestic petroleum because of reasons related to national defense, or, if domestic production of petroleum is to be inereased, it would be necessary to increase the petroleum price, to stimulate the petroleum companies to increase their output. However, in America, relatively cheap natural gas is used as the major raw material for production of synthetics, so that narrowing of the gap in petroleum prices will not be of help to the industry in Japan.

Regarding cotton yarns, it is expected that the import ratio will increase from the present level of 18 per cent to about 30 per cent and, moreover, because the substitution of synthetic fibres for cotton yarns, demand in 1980 will probably drop to 15 per cent below the present level.

Both synthetic fibre makers and spinning companies are now studying the scrapping of surplus capacity under the guidance of the ministry of International Trade and Industry. But even if it is assumed that such scrapping does take place, because it would not improve the industries' international competitiveness, net earnings in those industries would not be improved.

Can it then be that the Japanese textile industry has no tomorrow? The answer is that it is thought that there is an approach which could be taken and which could lead to recovery.

First of all, a thorough rationalisation programme must be carried out. There must be rationlisation in accordance with a re-assessment of production operations, as well as a scrap-and-build effort. For example, labour productivity in the most recently built spinning mills is three times the industry's average, and if one looks at labour costs, as in Table III, products from such a mill could compete with imports from southeast Asia. Of course, the scrap-and-build process will require expenditure of huge sums for severance and retirement pay, besides the investment in new construction, and if in the event

TABLE III

Recovery of International Competitiveness (Cotton yarn)

	Labour productivity (men/bale)	Wage index (Japan = 100)	Wage index per bale
Average for Japan	2.66	100	266
Best performance, Japan	0.90	100	90
Developing countries	5.32	25	133

that all of the necessary capital is obtained by borrowing, costs will inevitably rise. However, if production facilities are better and more closely coordinated, and surplus real estate is sold, it will be possible to obtain the necessary funds.

Second, the industry should increase the weight of high value added products

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total output. This would entail a decline production of general-purpose products and an increase in production for ale to certain pre-determined companies, y both the synthetic fibre makers and the pinning companies. For this to take place it will be necessary for the makers o expand and improve their information at each step, from yarn production to weaving, dyeing and production of secondary products.

Thus, in this course of contraction of the scale of Japan's textile industry and its recovery, what has become necessary is not merely the reduction of the scale of individual companies' mills but a horizontal integration in order that sound enterprises may be aided. Individual companies will probably have to transfer redundant manpower and available capital to non-fibre areas where growth may be expected (carbon fibres, artificial kidneys, synthetic leather, etc), in order to assure corporate growth.

US plans expanded financing to boost exports

Jon Schaffer

There is criticism of the Eximbank's foreign lending which Mr Moore has tried to answer in the two-day hearing of the Senate Banking and Appropriations Committee.

AS ONE means to reduce the US trade deficit, the Carter administration is asking Congress to increase the credit authority of the US Export-Import Bank (EXIMBANK) by $15,000 million. The Export-Import Bank provides official credit assistance to the US exporters in the form of direct loans, financial guarantees and exporter credit insurance to help them meet the financing needs of their foreign customers.

In two days of hearings before the Senate Banking and Appropriations Committee, Mr John L. Moore, Jr., president and chairman of the EXIMBANK, and Mr C. Fred Bergsten, assistant secretary of the Treasury for International Affairs, testified that EXIMBANK assistance is an important tool for restoring balance in US foreign trade. The increase in authority "is especially vital today," reported Mr Moore, "because of the rugged competition American exporters encounter in virtually every kind of goods and services."

In 1977 the US imports, including oil, grew by 22 per cent while the US exports grew by only five per cent. This resulted in a deficit of $31,200 million in spite of $120,000 million in American exports. The trade deficit contributed to a current account deficit of $20,200 million for all of 1977, according to new figures released by the department of Commerce on March 22. Part of the trade deficit was offset by net earnings on services and foreign investments. The request for a $15,000 million increase in EXIMBANK lending authority would raise the ceiling on commitments to $40,000 million.

The Carter administration officials emphasised that the request for a larger EXIMBANK programme is necessary to counter more aggressive efforts by other large exporting nations to stimulate their exports. But, they maintain, the United States has no intention of engaging in unfair competition for export markets. Only Canada, among the US major trading partners, has a smaller official export finance programme than the United States, Mr Bergsten said.

Overall EXIMBANK support, as a percentage of total merchandise exports from the United States, was seven per cent in 1976. Canada's ratio was five per cent. By comparison, West Germany supported 10 per cent of its merchandise exports with official financing; the United Kingdom, 23 per cent; France, 39 per cent; and Japan, 48 per cent.

Not everyone supports the administration position. Critics charge that the EXIMBANK has financed foreign manufacturing and processing facilities that compete with US industry and result in the loss of American jobs. Others say that the bank has supported business in countries that violate human rights. Others claim that the bank supports only big corporations.

Mr Moore said that the EXIMBANK takes into account any serious impact of loans or gurantees "on the competitive position of the US industry, the availability of materials which are in short supply in the United States, and employment in the United States." But he emphasised that in almost every case the project will probably go forward with equipment from a foreign supplier if the US exporter does not receive the contract.

allegations denied

Mr Moore also asserted that the EXIMBANK has been taking into account the general status of human rights in all countries in which the bank has been requested to support a loan or financial guarantee. In addition, he stated, the EXIMBANK consults regularly with the State Department on human rights matters, is represented on the Inter-Agency Group on Human Rights and describes in its semi-annual report the effect on human rights of EXIMBANK financing for projects in foreign countries. Regarding allegations that the interests of small corporations are neglected, the EXIMBANK president reported that as of September 30, 1977 the EXIMBANK has supported over 4,600 transactions involving 1,200 small businesses.

Courtesy: USIS

MOVING FINGER

lthough 1978 is still ung, I have already chosen the cartoon the year. It is Abu's on the Karnal ction result, in the *Indian Express* of ril 7, depicting the "Swaran Congress" a "straw in the wind". More than Mr P. Naik in Maharashtra, the Karnal ectorate seems to have advanced the use of a Congress merger. While the varan Congress candidate, Mr Shashi hushan, lost his security deposit, the dira Congress candidate, Mr Chiranji al Sharma, not only gave a good fight to he winning Janata nominee, Mr Mohinder ingh Lather, but did so well that he educed the Janata margin to 18,379 votes s against the majority of the order of 80,000 votes which the Janata party was ble to marshal in the same constituency the general election last year. In one f the newspapers I found Messrs Y.B. Chavan, Karan Singh & Co billed as "the awks" of the Swaran Congress, in the ense that they are firmly opposed to a Congress merger. In the wake of Karnal, hese worthies can be no more than frighened pigeons, seeing that the cat has come so close. Karnal, of course, could minister to the consolidation not only of the Congress but also the Janata. That Mrs Gandhi's nominee could do so well in any part of Haryana, of all states, is a loud warning that the Janata leadership is fast exhausting the scope for capitalizing on the public's memory of the emergency excesses.

The Shah Commission is ceasing to be even a tourist attraction. All the more so because of Mr Lekhi. This man has missed his times. He would have been a roaring success as a Music Hall artiste. Even as it is, he does try hard. Take, for instance, the encounter he was determined to stage with Mrs Vidyabehn Shah, former president of the New Delhi Municipal Committee, when she appeared before the Shah Commission last week. Mr Lekhi wanted to know what special qualifications Mrs Shah had for being appointed by the then government as the NDMC president. His argument was that she did not have any previous experience of local administration. I am no admirer of the politics of the Manubhai Shah couple, as they played the game in the period after Mrs Gandhi first split the Congress and I have no sympathy for Mrs Shah when she has to answer for her part in the emergency excesses committed by or through the New Delhi Municipal Committee. But fair is fair and I think that Mr Lekhi was talking out of the wrong corner of his mouth when he chose to examine Mrs Shah on her qualifications for her former job.

We know, of course, what Mr Lekhi's qualifications are for being selected as the government counsel before the Shah Commission. But, I, for one, certainly do not know what relevant qualifications Mr Prabhudas Patwari has for the governorship of Tamil Nadu, except that he is an elderly Gandhian and is reputed to be one of God's good men. The truth is that cronism and other versions of favouritism are proven parts of the firmly established perquisites of those wielding political power and the present government is no more averse to the enjoyment of these perquisites than any previous government was. The problem with Mrs Vidyabehn Shah was not that she lacked the qualifications for being chosen as president of the New Delhi Municipal Committee but that she adopted only too readily the mores and manners of the company which she was keeping or by which she was kept. There is a minor tragedy here. An otherwise intelligent, sensible and reasonably accomplished woman, she let herself become a willing victim of circumstances.

I am happy to say that I am not entirely dependant on Mr V.D. Trivadi of *The Times of India* for my daily dose of humour at the breakfast table. Other dailies too do their bit, even if not always consciously, to keep me amused. *The Statesman* of April 8, for instance, had this headline for a report from its Washington correspondent on its front page: "USA Heeds Desai Plea Against Neutron Bomb". Since I happen to have some faith in Mr Warren W. Unna's sense of proportion, I wanted to find out what on earth he thought he was writing about. Mr Unna, I was relieved to find, had not stopped being his sensible self. He had merely mentioned Mr Desai's known views on the neutron bomb and then thoughtfully added that "It is not known what weight—if any—the prime minister's arguments may have had on President Carter's rethinking" about going ahead with the neutron warhead project. What *he* had written certainly does not justify the caption given to his report, but, then, such of us who know how newspapers are put together, also know that the news rooms of our national dailies particularly are empires in themselves and not even the writ of an Irani runs there. Mr B.G. Verghese, perhaps will suggest that the Indian press should be restructured and placed under the care or custody of some giant board of trustees chosen by the prime minister in consultation with the leader of the opposition (Mrs Gandhi?).

One does not know whether to cry or laugh. The officials at the Lucknow zoo, to which the panther, suspected to be the man-eater "Pujari" of Dogadda, has been taken after its capture, are reported to be worried because the beast is not eating. Perhaps it has lost its taste for animal flesh. Why don't they tempt it with a child or a pregnant girl for either of which the man-eater has been showing such a decided preference?

VB

TRADE WINDS

Import of Paper Equipment

IN ORDER to obviate the shortage of paper and to encourage the use of secondary raw materials for the manufacture of paper, government's decision to permit the import of second-hand equipment required for relatively small paper plants was announced in 1974. This facility was effective till the end of December, 1975 and a number of schemes have been approved in respect of the applications received by the stipulated date. It has now decided further to allow the import of second-hand equipment for small paper plants on merits until further order.

The following guidelines which were laid down in the press note of December 28, 1974 (as amended from time to time) are being repeated for the benefit of intending entrepreneurs : (a) Applicants should not be affiliated to any large industrial or commercial group; (b) The project should preferably be located in a backward area; (c) The cost of the plant should be substantially lower than the cost of a new indigenous plant; the c.i.f value of the plant should also be lower than the foreign exchange content of comparable indigenously manufactured plant; (d) The equipment should have a certified residual life of at least 10 years; for this purpose, a certificate from a chartered firm of appraisers would be required; (e) This facility will be limited to plants upto a capacity of 30 tonnes per day.

Intending entrepreneurs may submit applications for import of capital goods to the Secretariat for Industrial Approvals, department of Industrial Development, ministry of Industry. They may seek the advice of the Director General of Technical Development with regard to foreign exchange content of indigenous plants of different capacities.

Excise Exemption for Cosmetics

As a measure of relief to small-scale manufacturers of cosmetics and toilet preparations, the government has granted, with effect from April 1, 1978 full exemption from excise duty on first clearances valued upto Rs 5 lakhs of cosmetics and toilet preparations in a financial year by the manufacturers whose total clearances, for home consumption during the preceding financial year, of the said goods, did not exceed Rs 15 lakhs (Rs 13.75 lakhs in respect of 1977-78 excluding March, 1978).

Support Price for Mustard

For the first time, the government has fixed a support price for mustard seed for the fair average quality at Rs 225 per quintal for the 1977-78 season. The support operations have been entrusted to the National Agricultural Cooperative Marketing Federation (NAFED), according to an official release. With the inclusion of mustard seed, about 75 per cent of the total production of oilseeds is now covered under the price support scheme. Support prices for groundnut, soyabean and sunflower seed for 1977-78 have already been announced by the government.

Limit of Deposits Reduced

On the basis of the recommendations made by the study group on non-banking companies headed by Mr J.S. Raj, the government has decided to amend the Companies (Acceptance of Deposits) Rules, 1975, relating to non-banking non-official companies. These modifications have been incorporated in gazette extraordinary published separately. Some of the more important modifications relate to: (1) The present limit of 15 per cent of the aggregate of the paid up capital and free reserves in clause (i) of sub-rule (2) Rule 3 will stand reduced to 10 per cent with effect from April 1, 1979 and if the deposits of this category exceed 10 per cent on that date, such deposits will have to be reduced to the limit of 10 per cent on or before April 1, 1980. From April 1, 1980 the limit for aggregate deposits of all categories covered under these rules shall be 25 per cent as against 40 per cent at present.

(2) The maximum period for which the non-banking non-financial companies will be able to accept deposits will be 36 months. (3) Rule 2(b) (iv) of the rules has been amended to bring within the purview of the rules all inter-company deposits which stand at present excluded, except any deposit received from another company by a company which has not gone into commercial production and has not accepted any deposits from public. (4) A private company which has become a public company under section 43A of the Companies Act, 1956 shall be treated as a private company under Rule 2(b)(ix) of the rules provided it retains the characteristics of a private company. (5) For the purpose of benefit under rule 2(b) (ix) of the rules, the director or shareholder, from whom money is received by the company will have to furnish a declaration in writing to the effect that the amount is not being given out of funds acquired by borrowing or accepting from others. (6) The form of advertisement preseribed in Rule 4 for inviting deposits has been amplified particularly to give out more details relating to the financial position of the company to enable intending depositors to have a proper appreciation of the financial position of the company. The form of return to be filed with the Registrar of Companies pursuant to Rule 10 of the rules has also been amplified to disclose more information.

New Conditions

Most of the above changes will take effect from April 1, 1978. The companies are well advised to go through the complete text of Companies (Acceptance of Deposits) Amendment Rules, 1978 published in the gazette for full information and details. Members of public who are interested in investing in company deposits are well advised to satisfy themselves thoroughly about the financial position of the company and its capacity to repay principal and interest, before making their investments. From April 1, 1978 a company will have to indicate in its advertisement inviting deposits that it has no overdue

posits other than unclaimed posits or include a statement owing the amount of such erdue deposits. A declara- n will also have to be given the advertisement to the fect; (i) that the com- ny has complied with the ovisions of the rules, that compliance with the les does not imply that re- yment of deposits is guara- eed by the central govern- ent, (iii) that the deposits is ccepted by the company ther than deposits, if any, ccepted under the provisions the rules, the aggregate mount of which will have to e indicated) are unsecured nd ranking *pari passu* with ther unsecured liabilities.

Microwave Towers at Bhilai

To meet the increased demand from various agencies, he P & T department is setting p a factory at Bhilai to manu- facture microwave towers, at n estimated cost of Rs 49.62 akhs. The factory is expected o go into production in 1978-79. The three depart- mental telecom factories at Calcutta, Bombay and Jabalpur produced stores worth Rs 1,624.35 lakhs during the year 1976-77 against a revised target of Rs 1,650 lakhs. The output per worker increased from Rs 22,390 to Rs 29,011 during the year. A production target of Rs 1,800 lakhs has been fixed for the year 1977-78; against this target the value of production of items upto December 1977 was Rs 1136.49 lakhs.

During 1976-77, telecom factories stepped into the export market and executed orders for trunk exchanges, manual exchanges and spares to the tune of Rs 2.23 lakhs to the Nepal Telecommunication Corporation. Further export order for supply of telecommunication equipments valued at Rs 4.25 lakhs is under execution. As a part of diversification from traditional items like manual exchanges and pole line hardware, new items like battery eliminators, buttonski telephone, manual call control equipment have been taken for development and production.

More Bank Branches

Banks have been asked to open at least one branch in each of the unbanked community development blocks by end-June 1978. Giving this information the Finance minister, Mr H.M. Patel stated that there were over 700 unbanked community development blocks in the country at the end of December, 1976. By the end of December 1977, this number had been brought down to 318. The minister said, in Madhya Pradesh there were 134 unbanked community development blocks at the end of December, 1976. At the end of December 1977, only 52 such blocks in the state were without a commercial bank branch. The precise location of the proposed branches within the unbanked blocks allotted to individual banks could not be indicated since it depended on the selection to be made by these banks themselves having regard to the availability of the requisite facilities, business potential etc.

Control Towers for Aerodromes

The minister for Tourism and Civil Aviation, Mr Purushottam Kaushik, informed Lok Sabha recently that control towers were available at all civil aerodromes in the country through which Indian Airlines operated scheduled air services. However, provision had been made in the five-year Plan 1978-83 for the construction of modern control towers and technical blocks at 16 civil aerodromes. New technical blocks and control towers will be built at Gauhati, Trivandrum and Ranchi. New technical blocks were also proposed to be constructed at Imphal, Visakhapatnam, Jabalpur, Belgaum and Bangalore while new control towers would be built at Ahmedabad, Raipur, Lucknow, Port Blair, Aurangabad, Behala, Rajkot and Madras. Construction of a new control tower at Visakhapatnam had already been sanctioned. Plans and designs are under preparation and the work is expected to be started in 1978-79.

Crude Steel Output

Crude steel production in the country touched an all time high figure of 9.93 million tonnes during the year 1977-78. This production from the main steel plants and the mini-steel plants taken together exceeds the previous years production by 14,000 tonnes. Despite acute power shortage and problems of quality and shortages of supply of coking coal, faced by the steel plants during most part of the year, saleable steel output from all the producers in 1977-78 was 8.04 million tonnes, also an all-time high, exceeding 1976-77 total production by 18,000 tonnes.

An outstanding feature of the year 1977-78 was that after a recessionary trend for almost three years total sales of steel outstripped production and the main producers depleted their stocks by 560,000 tonnes. The public sector plants under the Steel Authority of India Ltd depleted these stocks by 500,000 tonnes. Domestic sales from the main producers showed a pick-up of 12 per cent as compared to the previous year's sales.

Due to increasing domestic demand exports were restricted during the year. Total exports of steel from the main plants was 939,000 tonnes as against 1,040,000 tonnes in 1976-77. Exports from SAIL units were marginally lower than the previous year's exports. These plants exported 714,000 tonnes of steel as against 781,000 tonnes exported in 1976-77.

The plants at Bhilai, Durgapur and the alloy steels plant touched an all-time high production of ingot steel while Rourkela steel plant and TISCO gave all-time high production of saleable steel. Total production of ingot steel from the six main plants broke even with the 1976-77 production at 8.42 million tonnes though the saleable steel production from these plants during 1977-78 fell marginally short of 1976-77 production. During the year just ended saleable steel production from these plants was 6.89 million tonnes as compared to 6.92 million tonnes produced in 1976-77. Production loss due to frequent power restrictions faced by all the plants during the year just ended was to the tune of 160,000 tonnes. Bokaro steel plant was the worst sufferer having lost 103,000 tonnes of saleable steel on account of power shortage.

Sponge Iron Plant in Andhra Pradesh

Mr Biju Patnaik, minister of Steel and Mines, informed the Lok Sabha recently that a sponge iron project was proposed to be set up at Kothagudem in Andhra Pradesh for demonstration and experimental purposes. It will have a production capacity of 30,000 tonnes of sponge iron utilising solid reductants like

LIONS DO NOT COMPROMISE!
NOR DO WE

USE

"THREE LIONS"

BRAND

SODA ASH &

CAUSTIC SODA

SODA BICARB

AMMONIUM BICARBONATE

Saurashtra Chemicals

PORBANDAR

-coking coal and indigenous materials. The plant is ng set up by Sponge Iron dia) Limited, a public sector dertaking. The project would based on SL/RN process the West German firm of rgi. It is expected to be mmissioned in early 1980. nother state government dertaking (Industrial Pro-otion and Investment Corpo-tion of Orissa Limited) was so holding a letter of intent r production of 300,000 nnes per annum of sponge on, the minister said. A reign collaboration proposal ubmitted by the company was eing considered by the overnment.

New Telephones for Delhi in 1978-79

The Delhi Telephones has prepared an ambitious programme of expansion for the year 978-79. More than 25,000 new lines will be added to Delhi telephones network during the year. According to the general manager, Dr P. N. Chaudhry, two 10,000 lines new exchanges are under installation at Tis Hazari and Shaktinagar in north Delhi. These exchanges are expected to be commissioned by December this year. A new telephone exchange is under installation at Nehru Place with 2,000 lines capacity. This exchange will be commissioned in June this year. The capacity of the Okhla exchange is being expanded by 1700 lines by the end of the year. The capacity of the Shahdara east exchange also will be increased by another 1600 lines. A proposal has been approved for installation of 10,000 lines exchange at Nehru Place for which building plans have been cleared and the construction is expected to commence shortly. During the year 1977-78, more than 19,700 lines have been added to Delhi telephones. Bulk of the expansions have been completed during the last four months of the financial year 1977-78.

Vishakhapatnam Port

Vishakhapatnam port has achieved a record of over 10 million tonnes of cargo handled during 1977-78. It is the first port on the east coast to have crossed this mark. The port handled a total cargo of 10.17 million tonnes during the year as against 9.12 million tonnes in 1976-77. Exports of iron ore were also the highest-ever recorded from this port. About 6.05 million tonnes of iron ore were exported along with 11 lakh tonnes of iron ore fines, which were handled for the first time during ths year. Total exports from Vizag port were of the order of 7.15 million tonnes as against 6.13 million tonnes in the previous year. Imports stood at 2.56 million tonnes which represented a marginal increase of about 8,000 tonnes over the last year's figures. Transhipment cargo registered an increase of 28,652 tonnes to touch the figure of 4.23 lakh tonnes.

HUDCO's Contribution in Kerala

The Housing & Urban Development Corporation (HUDCO), is helping the Kerala Housing Board and some other state government organisations, to construct 32,761 dwelling units, 195 non-residential buildings and in developing 35 plots. Some 97 per cent of the houses would be for families whose income does not exceed Rs 600 pm. HUDCO has so far sanctioned 28 housing schemes in Kerala involving loans totalling Rs 15.15 crores which would benefit the towns of Nedumangad, Cannanore, Calicut, Trivandrum, Cochin/ Ernakulam, Iringalakuda, Moovattupuzha and a number of rural areas throughout the state of Kerala. These schemes would finance urban development of Cochin city, help the state housing board to construct 1850 low cost (Rs 3767 per unit) urban dwellings under the board's "10,000 houses scheme", assist 2200 socially disadvantaged families in building houses for themselves through schemes of the Kerala Scheduled Castes and Scheduled Tribes Corporation.

HMT Reorganisation

The government has decided to restructure the state-owned-Hindustan Machine Tools Ltd (HMT) on the pattern of the Bharat Heavy Electricals (BHEL). Such a step is being taken to bring about greater efficiency and thus increase production of the various units of the HMT.

Under the new corporate management system, the various production units of the HMT would be clubbed in three groups of machines tools, watches and tractors etc. with each of these headed by an executive director.

The management at the corporate level comprises the chairman and managing director and three other directors each looking after finance, personnel and internal operation. The HMT would continue to be a single corporation or a company with single board of management.

The sources maintain that Dr Patil, the present chairman of HMT had always opposed the corporate plan. However, the officers of the HMT have been appointed as functional and executive directors of the board and there is a proposal under consideration to upgrade their scales of pay. It is actually in this context that the HMT board is considering various proposals for identifying the responsibilities of individual directors and to improve the managerial and productive efficiency of the company.

Janata Hotels for Tourists

A 1250-bed Janata hotel will be constructed at New Delhi at a cost of Rs 3 crores. Work on this project will commence shortly. and is likely to be completed in two phases, within a period of two to three years. The draft five-year Plan for the period 1978-83 envisages the construction of Janata hotels at the four metropolitan cities of Delhi, Bombay, Calcutta and Madras. The other centres including those in Madhya Pradesh where Janata hotels will be put up in the central sector will be determined after undertaking a survey, depending upon the resources made available for this purpose.

Names in the News

Six more persons have been appointed as directors on the board of directors of the National Buildings Construction Corporation. The new Directors : **Lt. Gen. J.S. Bawa,** E-in-C, M.E.S., Army Head quarters; **Mr T.S. Vedagiri,** Chief Engineer (Designs), Central Public Works Department; **Mr A.K. Ramayya,** Director (Civil Engineering), Railway Board; **Mr N.V. Raman,** Scientist Incharge, Structural Engineering Research Centre, Roorkee; **Mr N.P. Agarwalla,** Manager (Business Development), Engineers India Limited; and **Mr K.P. Battiwala,** Chief Engineer, Tata Electric Companies.

COMPANY AFFAIRS

13 Foreign Companies Wind Up

THIRTEEN FOREIGN companies have so far indicated their inability to operate in India within the equity levels permitted in terms of the guidelines laid down for the administration of Section 29 of the Foreign Exchange Regulation Act.

While some of these companies have already ceased their trading, commercial, industrial activities, the others will do so during the current year. However, the actual winding up of their business, such as disposal of assets, may take a longer time.

Giving this information in the Lok Sabha rccently during question-hour, the Finance minister, Mr H. M. Patel, stated that in terms of the FERA, no foreign company can dispose of its assets without the prior permission of Reserve Bank of India. Further, while dealing with requests for valuation and repatriation of sale proceeds, all outstanding liabilities such as amounts due to banks are adjusted.

The names of 13 foreign companies which have decided to wind up their establishments in India because of their inability to comply with the FERA guidelines are :

A. Johnson and Co (India), Calcutta (branch); Baker Parkins International Ltd, Bombay (branch); Bunge and Co Ltd, Calcutta (branch); Ccca Cola Export Corporation, New Delhi (branch); Columbia Gramophone Co of India (Private) Ltd, Calcutta (rupees company); Consolidated Pneumatic Tool Co Ltd, Bombay (branch); Eli Lilly and Co of India Inc , Bombay (branch); INGRA, New Delhi (branch); IBM World Trade Corporation, New Delhi (branch); Kendall Farms Private Ltd, Calcutta (rupee company); Torrance and Sons Ltd, Madras (branch); Van Rees India, Calcutta (branch) and Weddel (India) Ltd, Calcutta (rupee company).

Revathi-CP Equipment

Chicago Pneumatic Tool Company (CP), who are the leading manufacturers of drilling rigs in the USA, have planned to commence production in India through a recently established collaboration company — Revathi-CP Equipment Limited. Even though India is quite active in the drilling industry for the general growth of the natural wealth, there is a wide gap in the technology between the equipment manufactured in the USA and India. Chicago Pneumatic with well founded research and development activities are able to maintain the leadership in the drilling industry in the USA.

High pressure pneumatic drills coupled with sophisticated hydraulic systems are able to give maximum production in any type of formations. These drills are able to take any type of abuse at the time of drilling which are generally met with at the time of operation. The company intends manufacturing drilling machinery comparable to any modern equipment manufactured elsewhere and thus creating a potential for export competing with any other manufacturer in other parts of the world.

Tufted Carpets

Tufted Carpets and Woollen Industries Ltd, a new company promoted by the Indian Tool Manufacturers Ltd, is entering the market on April 27, with a public issue of Rs 79.38 lakh in equity shares of Rs 10 each at par. The entire issue has been underwritten.

The company is setting up a plant for the manufacture of tufted carpets al Sikandarabad industrial area (Uttar Pradesh). The plant which is equipped with four looms has a capacicy to turn out 25 lakh lb. of 100 per cent pure wool machine-made carpets.

The company has entered into a financial-cum-marketing-cum-technical collaboration agreement with Besmer Teppichfabrik Mertens KG of West Germany, which is well-known in this field. Besmer has agreed to sell and distribute 80 per cent or more of the company's production, but the company, it is said, is not obliged to make available all this quantity to the West German concern. It can, on its own, export the carpets abroad if it could realise better prices than those offered by Besmer.

The cost of the project is estimated at Rs 4.54 crores, of which plant and machinery alone will account for Rs 2.30 crores. The project is to be financed as follows: Rs 1.6 crores by way of equity capital, 26 per cent of which is subscribed by promoters and another 25 per cent by the foreign collaborators. Long-term loans account for Rs 2.92 crores.

The chairman, Mr Ashok V. Birla, stated recently that the outlook for the company's project is quite good. The plant is expected to go into production in May and full capacity is expected to be reached in October this year. Indian wool is quite suitable for the manufacture of carpets, the demand for which is growing. Apart from meeting the domestic demand from users like airlines, hotels and commercial complexes, there is good scope for effecting exports. The company has already procured orders of the value of Rs .70 lakhs. Cash compensatory support is available on exports The turnover could be Rs 7.5 crores a year when the plant is in full production.

Tea Trading Corporation

A smart rise of 150 per cent in the value of exports is the highlight of sales performance of the Tea Trading Corporation of India (TTCI) during 1977-78.

According to provisional estimates, TTCI's exports picked up to Rs 850 lakhs in 1977-78 against the target of Rs 750 lakhs.

With domestic sales reaching the projected level of Rs 350 lakhs, TTCI's sales turnover for the year stood at Rs 1,200 lakhs, surpassing the target of Rs 1,150 lakhs. In 1976-77. TTCI had registered a sales turnover of Rs 710 lakhs.

Encouraged by the performance, TTCI has set its sights higher and fixed the sales target at Rs 1,600 lakhs of

which exports are projected at Rs 1,200 lakhs.

For TTCI, fiscal 1977-78 should signify a break with the past; for only four years back in 1975-76 it had to content itself with exports of just one lakh rupees and sales turnover of Rs 136 lakhs.

The bulk of its exports was in the value-added form, viz., packet tea and tea bags of Rs 850 lakhs, exports worth as much as Rs 600 lakhs were made in the last quarter of 1977-78. In servicing overseas orders, it had to reckon with disruptiod in warehouse operations during September and October last and again from mid-January onwards.

While it is yet to sort out the warehousing problem it has the satisfaction of having opened 1978-79 with a fairly comfortable order book position—Rs 400 lakhs on the export side and Rs 200 lakhs from defence and other internal buyers.

Hindustan Ferodo

The directors of Hindustan Ferodo Ltd, has proposed a higher final equity dividend of 15 per cent (Rs 1.50) on the Rs 10 paid-up share for the year ended December 1977, as against 14 per cent paid for the previous year. With the interim dividend of 12 per cent (Rs 1.20), the total for the year comes to 27 per cent (Rs 2.70), as against 25 per cent (Rs 2.50) in the previous year. The dividends will absorb Rs 67.01 lakhs (Rs 62.04 lakh).

Sales have risen from Rs 1254.94 lakhs to Rs 1576.55 lakhs, and the gross profit from Rs 198.90 lakhs to Rs 275.86 lakhs. After adjustments, the net profit has amounted to Rs 96.06 lakhs (Rs 78.09 lakhs).

The directors propose to transfer Rs 26.34 lakhs (Rs 16.18 lakhs) to the general reserve.

Nav Bharat Refrigeration

Nav Bharat Refrigeration and Industries has received sanction from the government for its proposed one-for-one bonus issue. The company has done well in 1977. Though the gross profit has declined to Rs 15.99 lakhs from Rs 17.14 lakhs in 1976, the equity dividend has been stepped up to 20 per cent from 15 per cent paid in 1976. After providing Rs 5.08 lakhs (Rs 4.43 lakhs) for taxation, there is a surplus of Rs 4.60 lakhs against Rs 5.34 lakhs. Equity dividend will absorb Rs 2 lakhs (Rs 1.50 lakhs). A sum of Rs 2.59 lakhs (Rs 3.90 lakhs) has been transferred to general reserve.

Gujarat Fertilizers Expansion

Gujarat State Fertilizers Co is going ahead with its new projects. The letter of intent issued for the establishment of nylon-6 plant of 4,000 tonnes per annum capacity has now been converted into an industrial licence. The government has approved the contracts entered into by company with Investa AG of Switzerland for technical collaboration. The construction work will begin in July 1978 and the plant is scheduled to be commissioned by the middle of 1980.

Steps are being taken to convert the letter of intent for malamine into an industrial licence. For the establishment of 5,000 tonnes melamine by Voest Alpine of Austria. The company has also undertaken a de-bottenecking programme for phosphoric acid plant and signed a contract with Bearden Potter Corporation, USA for getting the required engineering package. Actual plant modification will be undertaken in September 1978 and the entire de-bottlenecking programme is expected to be completed by March 1979. For the purge gas recover project, Linde of West Germany has been selected as foreign contractor. The total investment in this project will be around Rs 10.05 crores including foreign exchange portion of Rs 4.35 crores. The project is expected to be completed by June 1979. A letter of intent has been obtained for setting up another sulphuric acid plant.

Hindustan Brown Boveri

Hindustan Brown Boveri proposes to set up a new undertaking for the production of steam turbines up to 3000 kw with an installed capacity of 86 turbines per annum. This project is proposed to be undertaken by a new company under the style S.J.S. Engineering Co Ltd, which will be a 100 per cent subsidiary of Hindustan Brown Boveri. The cost of the project is estimated at Rs 1.20 crores, which is proposed to be met by share capital to be subscribed by HBB (Rs 60 lakhs), term loans from banks (Rs 30 lakhs) and bank borrowings for working capital (Rs 30 lakhs). The company has sought government sanction under the MRTP Act for the proposed venture.

Associated Bearing

Associated Bearing Co has maintained dividend for 1977 at 20 per cent. According to the preliminary statement, sales have risen by five per cent from Rs 18.91 crores in 1976 to Rs 19.86 crores in 1977. Gross profit went up from Rs 373.19 lakhs to Rs 401.48 lakhs. After providing Rs 63.13 lakhs (Rs 60.92) for depreciation Rs 27 lakhs (Rs 16 lakhs for investment allowance and Rs 161.75 lakhs (Rs 156 lakhs for taxation, and after making some adjustments the disposable surplus is Rs 179.68 lakhs (Rs 174.53 lakhs). Dividends will absorb Rs 117.63 lakhs (same). A sum of Rs 14 lakhs (Rs 26.44 lakhs) has been transferred to general reserve, leaving a sum of Rs 48.03 lakhs to be carried forward.

Scindia Steam

For the year ended June 30, 1977, the total turnover of the Scindia steam Navigation Co. Ltd, including other receipts, comes to about Rs 103.94 crores Rs 92.21 crores). The gross profit during the year amounts to Rs 10.84 crores Rs (13.02 crores). After providing Rs 8.24 crores for depreciation (Rs 7.53 crores) and (Rs 2.65 crores inclusive of Rs 50 lakhs for foreign taxes), the net profit is Rs 2.10 crores as against Rs 2.84 crores for the previous year. Rs 150 lakh is provided for development rebate reserve as against Rs 71 lakhs provided for deve- for investment allowance re- reserve for the previous year. Rs 10 lakhs (previous year Rs 20 lakhs) is appropriated to general reserve as statutory reserve.

With the balance brought forward from previous year amounting to Rs 3.83 crores and Rs 2.52 crores for development rebate reserve written back, the total amount available for disposal is Rs 6.85 crores. Out of the above amount, the directors have sanctioned the payment of interim dividend at the rate of Rs 2 per share, absorbing the amount of Rs 190 lakhs (41.6 per cent of this dividend was provisionally determined as exempt from tax under

ection 80K of the Income-ax Act. The directors have ow recommended a final ividend of 50 paise per share, ubject to deduction of tax, naking a total distribution for he year at the rate of Rs 2.50 er share. The final dividend, f sanctioned, together with he interim dividend, already aid, will absorb an aggregate mount of Rs 2.37 crores leav-ng the balance of Rs 4.48 rores to be carried forward.

Amar Dye-Chem

The directors of Amar Dye-Chem. Ltd, Bombay, have re-commended a dividend of 12 per cent as against 14 per cent paid for the previous year on smaller capital. The com-pany issued in 1977, 108,873 equity shares as bonus shares n the ratio of one share for very two shares held.

In spite of labour unrest and he consequent lockout in October 1977, the gross sales ncreased from Rs 27.84 crores o Rs 27.99 crores, exports comprising Rs 2.05 crores (Rs 2.4 crores). The gross profit, however, has declined from Rs 3.59 crores to Rs 3.48 crores.

The net profit has also dec-ined from Rs 130.60 lakhs to Rs 64.88 lakhs, after providing Rs 100.61 lakhs (Rs 73.88 lakhs) or depreciation, Rs 88.41 lakhs (Rs 155 lakhs) for taxation, Rs 8.95 lakhs (nil) for develop-nent rebate.

Khandelwal Herrmann

Khandelwal Herrmann Elec-ronics Ltd, manufacture elec-ronic components and semi-onductors like selenium recti-ers, silicon diodes, thyristors, nd photocells have entered nto a collaboration with the iemens AG, West Germany, or manufacture of silicon con-rolled rectifiers and triacs.

According to Mr K.K. Khandelwal, the director of the ompany, about Rs 1 crore would be invested initially to set up the project. The agreement to set up the project has been approved by the Project Approval Board of the government of India. In the first stage the company will start producing silicon controlled rectifiers and triacs. The special feature of these devices produced will be that they will be made in plastic housing and consequently will be cheaper for use in housenold appliances and other small motor controlled systems presently not produced in the country. The company proposed to set up the plant in Maharashtra and the total investment envisaged would be around Rs 2 crores spread over three years. During 1976-77 the company had a turnover of Rs 75 lakhs. However, during 1977-78, the turnover is expected tobe around Rs 1 crore.

Anil Hardboards

The Punjs of New Delhi, who control Fedder Lloyd Co Pvt Ltd, Lloyd Insulations (India) Pvt Ltd and Lloyd Bitumen Products Pvt Ltd, are making a bid to acquire the controlling interest in Anil Hardboards Ltd of Bombay. According to Mr Yogender Prakash Punj, he and his associates have purchased around 27,000 equity shares of Rs 100 each of Anil Hardboards for a total sum of around Rs 10 lakhs. Out of these, only around 800 shares have been transferred in their names, while the balance, which they have purchased from the share market as also from some leading banks, have not been transferred yet to their names since the present management controlled by the Jollys have refused these transfers. They have approached the Company Law department of the government of India in the matter and hope to get justice soon. Anil Hardboards' paid-up capital is 65.955 equity shares of Rs 100 each. Thus the Punjs have purchased around 40 per cent of the company's shareholding.

Mr Punj told newsmen in Bombay on Wednesday that the group's total annual turnover was around Rs 15 crores. He said the group had taken interest in Anil Hardboards, since it believes that the company's plant is quite good and with the introduction of some new products and particularly the insulation materials, it could be made viable in a short-time. As is known, Anil Hardboards has been passing through difficult times for the past few years due mainly to financial constraints. Mr Punj stated that his group would be in a position to arrange for the necessary finance. It could also help marketing the company's products.

Falcon Tyres

Falcon Tyres has achieved sales of Rs 1.22 crores in the first six and a half months of the current year (July 1977 to mid-January 1978). The company produced during the period 1.37 lakh tyres, 1.66 lakh tubes and 1.34 lakh V belts at its factory near Mysore. It is raising additional capital of Rs 10 lakhs in one lakh equity shares of Rs 10 each at par to be issued as right shares in the ratio of one for five. The company's Rs 10 equity shares are currently mentioned at around Rs 4.

Sandoz

There is good news for the shareholders of Sandoz (India). The directors have proposed not only a higher dividend of Re. 1.60 per share for 1977 against Re. 1.40 for the previous year but also a bonus issue in the one-for-three ratio involving capitalisation of reserves amounting to Rs 62.50 lakhs.

The company has turned out strikingly better results for 1977. The turnover has risen by about 24 per cent from Rs 31.09 crores to Rs 38.55 crores and the gross profit by nearly 34 per cent from Rs 4.16 crores to Rs 5.56 crores.

Hindustan National

Hindustan National Glass and Industries has earned a substantially higher profit of Rs 97.50 lakhs for the year ended March 31, 1977 against Rs 40.51 lakhs in the previous year after providing for depreciation. A sum of Rs 53.97 lakhs as against Rs 23.70 lakhs has been provided for taxation. After making adjustments, the disposable surplus amounts to Rs 62.70 lakhs. Of this, the proposed dividend on equity shares will absorb Rs 10.46 lakhs (nil) while Rs 64,380 has been provided for interim dividend on preference shares for 1975-76 and 1976-77. After transferring Rs 51.50 lakhs (nil) to the general reserves a sum of Rs 9,522 has been carried forward.

Alkali and Chemical

Alkali and Chemical Corporation is going ahead with its various expansion programmes. The formulation unit of the pharmaceuticals project at Ennore was commissioned on schedule and saleable products were produced in September, 1977. All units of the paints project in Taiwan were handed over to Delux Paint Co. Ltd. and the plant went on stream in September 1977, two months ahead of schedule. Recently, the company has finalised arrangements to provide technical and engineering services required for the construction of the savlon formulation and botting plant in Taiwan.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of January 1978. The list contains the names and addresses of the licensees, articles of manufacture, type of licences—New Undertaking (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Ahmednagar Forgings Ltd, A/22, Grand Paradi, August Kranti Marg, Bombay-400036 (Ahmednagar-Maharashtra)—Sophisticated Steel Forgings below 8/10 kgs in weight—2,000 tonnes—(NU)

M/s Perfect Fasteners Pvt Ltd, 25/69, Panjabi Bagh, New Delhi (Faridabad-Haryana)—Machine Screws (Self tapping and specialised type)—300 tonnes—(NU)

M/s Bareja Knipping Fasteners Ltd, 16-B/4, Asaf Ali Road, New Delhi-110002 (Gurgaon-Haryana)—Precision Sheet Metal Self Tapping Screws—600 tonnes—(NU)

Prime Movers (Other than Electrical Generators)

M/s Bharat Heavy Electricals Ltd, 18-20, Kasturba Gandhi Marg, New Delhi-110001 (Medak, Sangareddy AP)—High Speed Drive Turbines—12 sets—(NA)

Electrical Equipment

M/s Keltron Counters Ltd, Keltron House, Trivandrum-695001 (Trivandrum-Kerala)—Digital Programme Timers—5,000 Nos, Electronic Time Movements—5,000 Nos—(NA)

M/s Power Systems and Projects Pvt Ltd, System House, Palghat-678007 (Palghat-Kerala)—Precision Impedance bridge (accuracy better than 5 per cent)—50 Nos, High frequency bandwidth oscilloscope (more than 50 MHz)—100 Nos, Precision power supply (resolution better than 0.002 per cent)—200 Nos, Selective level meters—50 Nos, Strip Chart recorders and X-Y recorders—100 Nos, Digital frequency counters—100 Nos, Digital multimeter (with auto and remote range selection facility)—100 Nos, Sweep generators to cover upto VHF/UHF/microwave ranges—50 Nos—(NU)

M/s J.V. Electronics Ltd, 808-9, Meghdoot, 94, Nehru Place, New Delhi-110024 (Faridabad-Haryana)—Silvered Mica Plates, Sections & Components—From 200 million Nos to 350 million Nos (after expn), Silvered Mica Capacitors—15 million Nos—(SE)

M/s Devidayal Electronics & Wires Ltd, Gupta Mills Estate, Reay Road, Bombay-400010 (Bangalore-Karnataka)—Cassette/Cartridge Drives—100 Nos, Alpha-numeric Display Terminals—100 Nos—(NA)

M/s Andhra Pradesh Lightings Ltd, Parisrama Bhavanam, 5-9-58/B, Fateh Maidan Rd, Post Box No 1049, Hyderabad-500029 (AP) Anantapur Rayalaseema Region—AP)—GLS Lamps—7.5 million Nos—(NU)

M/s Tata Engineering & Locomotive Co Ltd, Bombay House, 24, Homi Mody Street, Fort, Bombay-400023 (Pune-Maharashtra)—Printed Circuit Motors up to 2.2 KW ratings—150 Nos—(NA)

Transportation

M/s Binani Metal Works Ltd, 103/24/1, Foreshore Rd, Sibbur, Howrah-711101 (Howrah-West Bengal)—Marine Propellers—600 tonnes—(NA)

Industrial Instruments

M/s Bestobell Indian Ltd, 311-312, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi-110001 (Calcutta-West Bengal)—Industrial pressure indicators (above 50 lbs per square inch)—4,000 Nos—(NA)

Chemicals (Other than Fertilizers)

M/s J.K. Synthetics Ltd, Ashoka Estate, 2nd Floor, Bakhamba Road, New Delhi-110001 (Kota-Rajasthan)—DMT 4,000 tonnes Mono Ethylene Glycol (by-product)—1,000 tonn —(NA)

M/s Stretch Fibres (India) Ltd, 20, Dr E. Moses Roa Mahalaxmi, Bombay-400011 (Nagpur-Maharashtra)—Nyl Yarn—3,660 tonnes,—4,200 tonnes (after expansion)—(SE)

M/s Rapicut Carbides Ltd, "Chandramanli", Plot No Shivaji Coop Housing Society, Pune-411016 (Broach-Gujarat) (i) Tungsten and Tungsten Carbide Products—15 tonnes, (Hydrogen Gas—60,000 cubic meters (for captive use)—(NU)

M/s Indian Drugs & Pharmaceuticals Ltd, N-12, Sou Extn-I, New Delhi-110049 (Hyderabad-AP)—Inorganic chem cals—110 tonnes, Organic chemicals—68 tonnes, Miscellaneo classified chemicals—2 tonnes—(NA)

Drugs and Pharmaceuticals

M/s Indian Drugs & Pharmaceuticals Ltd, N-12, Sou Extn-I, New Delhi-110049 (Dehradun UP)—Potassium Penicill —90 MMU (Addl),—230 MMU (after expansion), Ampicill Trihydrate—25 tonnes (Addl),—35 tonnes (after expansion Tetracycline Hcl—175 tonnes (Addl),—200 tonnes (after expa sion), Erythromycin—26 tonnes (Addl),—36 tonnes (after expa sion)—(SE)

Paper and Paper Products

M/s Sehgal Papers Ltd, 55, Nehru Place, New Delhi-1100 (Mohindergarh-Haryana)—Carbonless copying paper/One-tin carbonising paper—10,000 tonnes—(NU)

M/s Hindustan Paper Corpn Ltd, Vishal Bhavan, 95, Nehru Place, New Delhi-110024 (Nowgong-Assam)—Paper and Pape Board—1,00,000 tonnes—(NU)

Sugar

M/s Kisan Sahakari Chini Mills Ltd, Anoopshahr, Di Bulandshahr (UP) (Bulandshahar-UP)—Sugar—1250 tonnes i terms of daily cane crushing capacity—(NU)

M/s Shree Krishna Gyanoday Sugar Ltd, Abhay Bhawan Fraser Road, Patna-800001 (Siwan-Bihar)—Sugar—From 71 tonnes to 1250 tonnes (after expansion) in terms of daily suga cane crushing capacity—(SE)

Leather and Leather Goods

M/s Malack Leathers, No 19-A, Big Mosque Street, Melvish aram-632509 (North Arcot-Tamil Nadu)—Finished Leather from goat skins—3,00,000 Pcs - (NU)

M/s Benil Leather Corpn, 1-C, Naval Hospital Road, Perian met, Madras-600003 (Chingleput-Tamil Nadu)—Shoe Uppers—5,00,000 Pairs—(NA)

Letters of Intent

Electrical Equipment

Mr Damodar Ratha, 3-A, Bel Air, 9-Pali Hills, Bombay-400050 (Bombay-Maharashtra)—Polyester Capacitors, Polystyrene Capacitors, Metallised Film Capacitors, Inductors—20 million Nos—(NU)

M/s Siemens India Ltd, 134-A, Dr A. B. Road, Bombay-400018 (Maharashtra)—Electronic Measuring instruments for temperature, speed, current, voltage, resistance, frequency, power factor, active & reactive power, pressure, differential pressure, flow, level etc—300 Nos—(NA)

Telecommunications

Mr C.V. Rm. Alagappa Chettiar, 91, State Housing Board-scheme, Kotturpuram, Madras-600085 (Tamil Nadu)—TV Receivers—1,00,000 Pcs—(NU)

Machine Tools

M/s Gedore Tools (India) Pvt Ltd, Gedore House, 51-52, Nehru Place, New Delhi-110024 (Faridabad-Haryana)—Discus Grinders (one time)—2 Nos—(NA)

Drugs and Pharmaceuticals

M/s Sarabhai M. Chemicals, (Division of S.M. Chemicals & Electronics Ltd), Gorwa Road, Baroda-390007 (Baroda Gujarat) Vitamin D3—2 tons (10 mu/g)—(NA)

Cement and Gypsum Products

M/s Andhra Cement Company Ltd, Vijayawada-520003 Distt Krishna (AP) (Visakhapatnam and Nadikudi-AP)—Grinding of Portland Blast Furnace Slag Cement at Vizag—2,50,000 tonnes, Clinkering plant at Nadikudi village in Guntur Distt—4,00,000 tonnes—(SE)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Saraf Paper Mill, New Delhi to M/s Saraf Paper Mills Ltd, New Delhi

M/s Rassik Pvt Ltd, to M/s Rassik Internatinal Pvt Ltd, New Delhi

Mr V.G. Malani, C/o M/s D.V.S. International New Delhi to M/s Reed Medway Packaging Co of India Pvt Ltd

M/s Sri Vijayarama Gajapati Coop Agricultural and Industrial Society Ltd, Vizianagram to M/s Sri Vijayarama Gajapati Coop Sugars Ltd, (Bhimasingi), Vizianagaram.

M/s Plastics and Allied Products, Kanpur to M/s Synthetic Foams Ltd, Kanpur

M/s K.M. Sugar Mills (P) Ltd, to M/s K.M. Mills Ltd

Gautam Kanoria, Bombay to M/s Kanoria Wisconsin Centrifugal Ltd

M/s Kerala State Engineering Technicians (Workshop) Industrial Co-operative Society and M/s Cooperative Scooters Ltd to M/s Scooters Kerala Ltd

Licences Revoked or Cancelled

(Information pertains to particular licences only)

M/s Eastern Electrical, Bhopal—Power Capacitors—(Surrendered)

M/s Rajkamal Silk Mills, Bombay—Textiles made of artificial silk/yarn—(Cancelled)

M/s Iscomed Industries Pvt Ltd, Bombay—Electromedical & Surgical equipments & appliances—(Revoked)

M/s Siliguri Steels Ltd, Calcutta—Bars, Rods including twisted bars, light and medium structurals—(Revoked)

Mr G. Kannappan, Coimbatore—Cottonseed Oil and its bye-products—(Revoked)

M/s Harshadray Pvt Ltd, New Delhi—Automatic Glass Container manufacturing equipment etc—(Cancelled)

M/s Indian Electronics, Bombay—Electronic Components etc—(Revoked)

Mr G. Balakrishnan, Coimbatore—Cottonseed Oil and its bye-products—(Revoked)

M/s Finolax Cables Ltd, Pune—House wiring cables and flexible cables—(Cancelled)

M/s Eswaran & Sons Engineers Pvt Ltd, Madras—Circuit Breakers, Fuse Switches etc (Revoked)

Mr Bishwanath Jhunjhunwala, Calcutta—Pulp & Wrapping and Packaging Paper—(Revoked)

Mr S.N. Agarwal, Bangalore—Pulp and Packaging and Wrapping Paper—(Revoked)

M/s Griffon Laboratories Pvt Ltd, Bombay—Drug formulations—(Cancelled)

M/s Apar Pvt Ltd, New Delhi—Radio Receivers—(Revoked)

M/s Todi Industries Pvt Ltd, Bombay—Pulp and Packaging and Wrapping Paper—(Revoked)

Mr Daya Shankar Gupta, New Delhi—Writing and Packaging Paper & Board—(Revoked)

Lettres of Intent Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Dass Hitachi Ltd, New Delhi, (UP)—Electronic Components—(Lapsed)

Mr Lala Shri Dhar, Calcutta, (Maharashta)—Needle Roller Bearings—(Lapsed)

M/s Philips India Ltd, Bombay, (Maharashtra)—Carbon Resistor Bodies—(Cancelled)

M/s Amar Dye-Chem Ltd, Bombay, (Gujarat)—Hydrogen Peroxide—(Lapsed)

Mr A.M. Arjuna Raja, Dist Ramnand (TN), (AP)—Potassium Chlorate—(Lapsed)

M/s Gogte Minerals, Bombay, (Maharashta)—Pulp—(Lapsed)

M/s Deccan Chemicose Pvt Ltd; Sattur (Tamil Nadu), (Tamil Nadu)—Potassium Chlorate—(Lapsed)

M/s Associated Cement Companies Ltd, Bombay, (AP)—Cement—(Lapsed)

M/s Associated Cement Companies Ltd, Bombay, (Gujarat)—Cement—(Lapsed)

M/s Gujarat Oxygen & Acetylene Co, Bombay, (Gujarat)—Oxygen Gas—(Lapsed)

M/s Philips India Ltd, Bombay, (Maharashtra)—Voltage Level Indicators—(Cancelled)

Mr A. Srinivas, Managing Partner, M/s Buywel Enterprises, Hyderabad, (AP)—Gelatine Ossein and Di-calcium Phosphate—(Lapsed)

M/s Tensile Steel Ltd, Bombay, (Gujarat)—Stabilised Strand—(Lapsed)

Mr O.P. Nambiar, New Delhi, (MP)—Calcium Carbide—(Lapsed)

M/s Apollo Tyres Ltd, New Delhi, (Kerala)—Conveyor Belting—(Cancelled)

M/s Deepika Engg Industries Pvt Ltd, Calcutta, (WB)—H.T. Fasteners—(Lapsed)

M/s Gujarat Mineral Development Corpn Ltd, Ahmedabad, (Gujarat)—Synthethic Cryolite and Aluminium Fluoride—(Lapsed)

M/s Industrial Promotion & Investment Corpn of Orissa Ltd, Bhubaneswar (Orissa), (Orissa)—Sponge Iron—(Lapsed)

M/s Ishwar Industries Ltd, New Delhi, (MP)—High Aluminous Refractory Cement—(I apsed)

M/s Andhra Pradesh Industrial Development Corpn Ltd, Hyderabad, (AP)—Printed Circuit Boards—(Lapsed)

M/s Kesar Sugar Works Ltd, Bombay, (UP)—Soya Products—(Cancelled)

M/s Orient Steel & Industries Ltd, New Delhi, (Haryana)—Pulp and Paper Machinery—(Partly Cancelled)

M/s Associated Cement Companies Ltd, Bombay, (AP)—Portland Cement—(Cancelled)

M/s Travancore-Cochin Chemicals Ltd, Udyogamandal (Kerala), (Kerala)—Sodium Hydrosulphite—(Lapsed)

M/s Rajkamal Paper Mills Ltd, Delhi, (UP)—Packing & Wrapping Paper and Boards—(Lapsed)

M/s Apar Pvt Ltd, Bombay, (Gujarat)—Extracts—(Lapsed)

M/s Panyam Cements & Mineral Industries Ltd, Distt Kurnool, (AP)—Barium Chemicals—(Lapsed)

Mr Girish Kumar Khaitan, Calcutta, (WB)—PVC Pipes and Fittings, Conduits etc—(Cancelled)

M/s Multisteels (India) Ltd, Calcutta, (AP)—Writing and Printing Paper, Cable Filter and other Industrial Paper—(Lapsed)

M/s Haryana State Industrial Dev Corpn Ltd, Chandigarh, (Haryana)—Cancelled)

Mr Chhatrapati Sahakari Sakhar Karkhana Ltd, Distt Pune, (Maharashtra)—Sugar—(Lapsed)

M/s Vasu Chemical Industries, Madras, (Tamil Nadu)—Insoluble Sulphur—(Cancelled)—

Import-export policy for April 1978—March 1979

The Import-Export Policy of the government of India for 1978-79 was announced on April 3. The salient features of the policy are summarised below :

THE ENTIRE policy and all the procedures have been simplified and liberalised both for importers and exporters. The Import Replenishment Policy has been merged fully, for this purpose, with the Actual Users policy. The policy will give now fuller opportunity to Indian industry to achieve efficiency and participate in foreign trade. The whole approach has been to serve our development efforts; licensing has been retained, wherever needed to better serve these objectives. Agricultural interests and the needs of rural development have been fully safeguarded/provided for.

All consumer goods other than those individually identified have been banned for import.

No Parallel Imports

No (parallel) imports through REP licences or "acquired" licences of Export Houses, as in the past, of canalised or sensitive items and small tools and instruments will be allowed. Endorsement of REP licences for Capital Goods will also have to follow the prescribed procedure.

A clear distinction between "components" and "spares" has been made all the way down the policy and procedures. This is as much to protect industry as to render it easier to users to secure spares.

The compass of Actual Users (Non Industrial) has been enlarged substantially, It now includes all local authorities, maintenance workshops and service centres/stations, printers and publishers, hospitals, educational institutions, etc.

Automatic Licensing

Industries still passing through their phased manufacturing programmes or with "pack value" restrictions, have been identified and treated on a different footing for Actual User automatic licensing.

Iron and steel items have been put on par with other materials in all respects.

The system of "free licensing" has been eliminated and merged largely with the Open General Licensing (OGL) system, with appropriate conditions attached thereto in the case of some.

No difference in regard to the licensing requirements, facilities or procedures has been made between public and private sector enterprises. Those undertakings of government, which are run departmentally, can also secure licences at the most convenient licensing office once the foreign exchange is released in their favour.

Considerable liberalisation has been made for both importers and exporters for securing prototypes and samples.

The period of validity of Actual User and REP licences has been curtailed to 12 months to merge with the new system of licensing. However, that for Capital Goods will remain 24 months. The last date for filing of applications has also been rationalised: that for automatic licences of industrial Actual Users will be September 30; for supplementary licences the last date will be the end of February, 1979.

The role of sponsoring authorities has been defined more completely and their responsibilities spelt out in detail.

Certain changes have been made in the Import & Export Control Orders from the point of view of better enforcement.

Procedural Matters

Many transitional arrangements have been made to cover current licences and applications, with a view to putting the new system on an appropriate footing. Pending orders with canalising agencies for items which have been decanalised in this policy will not be allowed to be withdrawn or cancelled except with the consent of the agency concerned.

Application forms have been simplified and rationalised and in the process a number of forms has been eliminated.

With a view to providing stability to the Import Policy, an official committee, under the chairmanship of Secretary (Technical Development) will receive representations and suggestions in the next three months and make its recommendations to the government. Separately, a procedure for issuing clarifications on the existing policy, on a monthly basis, will be introduced by the Chief Controller of Imports and Exports. Recognised chambers of commerce, industry and trade associations, export promotion bodies, and the like will be welcome to send consolidated requests of this nature.

Transitional Arrangements

All licensing work is to be decentralised except for Capital Goods exceeding Rs 10 lakhs and a few other matters. This will include all DGTD units, textile mills, public sector units, etc. Common lists have been prepared for both AU and REP applications; representing, (a) restricted items, and (b) banned items, separately. In all there would be five such lists only plus an additional one for REP alone. Government recognised hospitals, research & development institutions, centres of higher education etc have been given freedom to import their full technical requirements. Scientific and research scholars also can import their requirements, up to Rs 10,000 per year, even if they are working on their own and are not members of a faculty.

The requirements of the blind, a wider spectrum of life saving equipment, crude Unani and Ayurvedic drugs, Homo-

eopathic medicines, books and periodicals and the like have been placed on Open General Licence.

The policy for the import of cars and other vehicles, not involving foreign exchange, has been rationalised and the procedure simplified. In future missionary / charitable / educational institutions will be allowed to receive, on merits, gifts of other motor vehicles but not cars.

The need for a separate letter of authority to operate an import licence has been dispensed with.

There will be no need for getting the port of registration endorsed on import licences.

Replacement of goods damaged, lost in transit or otherwise freely made good, can be done without an import licence or customs clearance permit.

REP Transferability

There will be no need for a release order for getting an allotment of any canalised items, except in the case of shoddy wool/woollen rags.

There will be no restrictions on the transferability of REP licences from person to person, they will remain valid only for the items already mentioned in the licences.

The arrangements for lending or transfer of imported materials by one Actual User to another have been considerably simplified and decentralised.

There will be no limit on value of licences for the emergent spares that might be issued by the Regional Licensing offices to eligible Actual Users to keep production going. These will not be scrutinised from the indigenous angle either.

Facilities for sending equipment and other items overseas for repair and return have been decentralised and will be licensed without any need for DGTD scrutiny.

All AU and REP licences will be issued in free foreign exchange. Only at the time when payment for them has to be made through a licensed dealer in foreign exchange, will the licence holder have to mention the BTN number of the items to be imported and the country of origin.

Speedy Clearance

In order to speed up clearance of consignments at ports, when difficulties of classification might arise, the joint weekly meetings between the import licensing and customs authorities already being held at the major ports, will be authorised to decide them individually. Such standing instructions as may be later issued, after a review of these decisions from the headquarters, will apply to future cases only.

Four existing offices at Bangalore, Ahmedabad, Hyderabad and Kanpur have been upgraded to the level of Joint Chief Controllers and six new offices will be opened shortly. Except for a few states where the licensing work is not heavy, others will thus have a licensing office each which will also attend to our export efforts. Other offices, already existing or to be opened in the year in the remaining cities with ten lakhs or more population, will attend to export promotion activities.

Automatic licences in Actual Users (Industrial) cases will carry no lists of items or any face value restrictions. They will be valid for all the items in the restricted list that the concerned user would require for his licensed manufacture.

An extra 10 per cent over and above the certified past consumption will be allowed for growth and increase in prices overseas.

Repeat Licences

The facility given to small scale industries to opt for a "repeat" licence rather than seek one based on specific consumption for licences up to Rs 50,000, will continue.

A single licence will be issued, with three separate values therein, for steel items, non-permissible spares and the other items, *i.e.* raw materials, components and consumables. No interchangeability *inter se* will be allowed in these three entries, value-wise.

Ten per cent of each of the steel and non-steel value entries in the licence, but within the said values, will be allowed for import of items in the (respective) banned list. The limit for a single item will be Rs 50,000.

Non-permissible spares will be allowed on the basis of the certified value of the Capital Goods installed or in use as on April 1, 1978. Permissible spares will be on Open General Licence. Emergency spares will be without value limit, but subject to closer monitoring ex post facto.

Spares for computer systems will be quite distinct from other requirements. Special provisions have been made for them.

For the additional requirements of raw materials, components, consumables and non-permissible spares, the Actual Users (Industrial) should seek a supplementary licence, through the sponsoring authority. Every supplementary licence will carry a list of goods cleared by the sponsoring authority concerned.

For new small-scale units, the system of fixing the value of the first licence in relation to machinery value has been discontinued. Licence upto Rs 3 lakhs in value will be issued as recommended by the sponsoring authority.

In the case of small-scale units set up in backward areas by qualified persons, ex-service personnel and persons belonging to scheduled castes/tribes, the value of the first licence could be upto Rs 5 lakhs as against Rs 3 lakh for other units. Also, in the matter of canalised imports, they will be given a larger proportion, to allow for larger inventory and transport requirements.

Uniform Policy

The policy regarding electronic items has been made uniform for all users, in the public and private sectors. Industrial Users may import such items upto Rs 5 lakhs, whether under their automatic licences or under a supplementary licence without clearance from the Department of Electronics; but for any additional imports, such prior approval is mandatory. All computer systems will require import clearance by that department, even if imported under REP licence; the CG procedure will also apply to them.

Import of permissible insecticides has been placed on Open General Licence. Those eligible to import such items under the Insecticides Act need clearance by the Department of Agriculture.

Except for items included in the banned, restricted or canalised lists, an Actual User (Industrial) will be free to import, under Open General

ence, any other raw terials, and components, quired for his manufacturing rposes.

All indigenous manufacturers Capital Goods can get pplementary licences for ares at 0.1 per cent of their ree years sales to provide arranty/after-sales services to e customers.

egistered Exporters

REP licences will be linked n each case to the export pro-uct; no other replenishment cences will be issued. Such icences will cover only the elevant banned or canalised tems. There will be no diffe-ence between merchant-ex-porters and manufacturer-exporters in the nature or the quantum of REP licences to which they will be eligible to get. Three more items namely, raw cinematographic film, stainless steel and raw silk will be allowed for direct import by the Registered Exporters, even though they remain canalised for Actual Users.

Face value restrictions remain for some items in the REP licences.

The facility of importing packing materials by Registered Exporters continues, wherever considered appropriate.

The obligation to purchase 20 per cent of the rough diamonds through the MMTC has been removed, to help exports of cut and polished diamonds and gem and jewellery. Increased exports of electronic items, spectacles and goggles and stainless steel products should also be possible in the new policy. The nexus between the product exported and the items allowed for replenishment extends to synthetic textiles fabrics also.

The system of Advance Licences has been made operationally faster and functionally more complete. The licences will be issued at the regional offices and later scrutinised according to the customs procedure, for determining the quantum of materials eligible for duty exemption. Advance Licences can cover supplies of canalised items kept in customs bond as well.

The system of taking a joint bond between a merchant exporter and a nominated manufacturer, for the issue of Advance Licences to execute specific export orders is being extended so as to help the canalising agencies increase exports.

No shipping documents need be furnished for claiming REP benefits. Bank certificates would suffice.

REP Benefits

In the case of supplies made in India to IBRD/IDA assisted projects, the certificate of the project authority concerned would suffice to get REP benefits. No bank certificates need be produced. Also Indian sub-contractors figuring in the main contract can get such benefits without producing the full copy of the original contract. This work is also being decentralised.

There will be no change in the scheme of assistance to project exports, as this is being done on a case-to-case basis.

The role and functions of Export Houses have been reviewed and reset in the new policy. The emphasis will be on the measure of assistance they provide to supporting manufacturers and the export of the products of small-scale, tiny and cottage industries that they effect. In addition to the REP licences granted on their own exports, "additional licences" will be given to them culculated at five per cent of the export made in 1977-78 of select products manufactured by large scale units *plus* $33\frac{1}{3}$ per cent of the export of select products manufactured by small-scale, tiny and cottage industries.

The additional licences so granted will be valid for the import of the items in the Restricted List for Actual Users except some of these specially identified in this context. Import of any single item should not exceed Rs 1 lakh in value. Such goods can be sold to eligible Actual Users.

The REP licences issued to them or transferred to them by other Registered Exporters, can be used by Export Houses not only to import the items appearing in the respective licences, but also the Capital Goods placed on Open General Licence subject to Actual User condition, as well as the raw materials, components and spares, also allowed on Open General Licence for Actual Users (Industrial). Their sales can be made only to persons eligible to secure such items.

Consortia of small-scale industries have been given very liberal norms for recognition as Export Houses. This status has been conferred also on groups of small-scale Industries with lower levels of exports presently, but which hold promise of export growth at a faster rate, namely, Rs 5 lakhs per year, over a base figure of Rs 10 lakhs.

The coverage of the RBI Scheme of providing foreign exchange facilities to Export Houses has been widened and the limit raised to Rs 5 lakhs. Beyond this limit, the expenditure will be debited to REP licence concerned, as at present.

Licensing of Export Houses has also been decentralised, to

Imports, Exports (Incl. Re-exports) and Balance of Trade During the Years 1970-71 to 1977-78 (upto December, 1977)

(Value in Rs crores)

Years	Imports	Exports (including re-exports)	Balance of Trade
1970-71	1634.20	1535.16	— 99.04
1971-72	1824.54	1608.22	— 216.32
1972-73	1867.44	1970.83	+ 103.39
1973-74	2955.37	2523.40	— 431.97
1974-75	4518.78	3328.83	— 1189.95
1975-76	5265.22	4042.81	— 1222.41
1976-77@	5074.36	5143.35	+ 68.99
April 1976—Dec., 1976	3767.70	3637.12	— 130.58
April 1977—Dec., 1977*	3917.92	3952.44	+ 34.52

*Figures are based on the press note issued by Director General of Commercial Intelligence and Statistics, Calcutta for the month of December 1977.

@Figures are provisional and subject to revision. However, latest available revisions have been incorporated.

Source:—Monthly Statistics of the Foreign Trade of India, Vol. I & II, published by Director General of Commercial Intelligence & Statistics, Calcutta.

the places where their offices are located.

At the instance of small-scale industries, certain items have been taken off canalisation. These include rough ophthalmic blanks, ABS moulding powder, nylon moulding power, PVC resins, high and low density polyethylene moulding powders.

Milk powder and Casein have been decanalised and put on the Banned List.

Special schemes have been evolved for the licensing of petroleum products, fertilisers and the drugs that have been identified for the purpose.

Arms and ammunition, liquors and industrial explosives have been canalised through the State Trading Corporation.

A release order will be required only for the allotment of shoddy wool/woollen rags to a registered exporter.

In determining the sale price of canalised items, the ex-godown price charged to the small-scale industries will be put on par with the price payable by large-scale users on high sea sales.

In situations where the Monitoring Committee or the Chief Controller of Imports and Exports considers it necessary, licences for direct import can be given without there being a need for a 'No Objection' Certificate from the canalising agency concerned.

Canalising agencies will be given annual allocations of foreign exchange. They can import any of the canalised items in the course of the year, without the need for an import licence on each occasion.

A three-tier system of licensing has been evolved to facilitate decentralisation. Regional licensing offices have been given authority to deal with applications up to Rs 10 lakhs, the CG Adhoc Committee under the CCI&E up to Rs 25 lakhs, and larger value licences by the CG Main Committee. In the case of computers and electronic items, however, special provisions will operate in lieu of these.

The list of CG items on Open General Licence for Actual Users has been enlarged substantially. However, no second-hand equipment or deferred payment arrangements will be permissible in respect of any item on OGL.

In regard to the CG procedure to be followed, there will be no difference between an AU applicant and an REP licence holder. However, the latter will be allowed to bulk

Break up of Imports into Major Heads During the Years 1973-74 to 1976-77

(Value in Rs crores)

Sl. No.	Major heads	1973-74	1974-75	1975-76	1976-77
1.	**Maintenance Imports**	2068.50	3304.49	3317.54	3525.27
		(70.82)	(73.96)	(64.32)	(70.29)
	(a) Raw materials and Intermediate goods (excl. metals)	1304.51	2292.67	2363.03	2572.14
		(34.66)	(51.31)	(45.82)	(51.28)
	(b) Components and spares	381.78	416.41	551.10	573.56
		(13.08)	(9.32)	(10.68)	(11.44)
	(c) Metals	382.21	595.41	403.41	379.57
		(13.08)	(13.33)	(7.82)	(7.57)
	(i) Iron & steel	242 56	417.28	305.56	219.73
		(8.30)	(9.34)	(5.92)	(4.38)
	(ii) Non-ferrous	139.65	178.13	97.85	159.84
		(4.78)	(3.99)	(1.90)	(3.19)
2.	Food cereals and edible products	528.79	849.48	1398.91	977.34
		(18.10)	(19.01)	(27.12)	(19.49)
3.	Complete machinery & equipment	263.87	249.92	357.84	435.60
		(9.03)	(5.59)	(6.94)	(8.68)
4.	Essential finished goods	47.23	57.01	63.81	65.99
		(1.62)	(1.28)	(1.24)	(1.32)
5.	Others items including unclassified items	12.52	7.20	19.72	10.95
		(0.43)	(0.16)	(0.38)	(0.22)
	Total	2920.91**	4468.10**	5157.82**	5015.15**
		(100.00)	(100.00)	(100.00)	(100.00)
		2955.37*	4518.78*	5265.22*	5074.36*

**Figures are provisional. *Denotes latest revised figures break up of which is not available.

Note: —Figures in brackets denote percentage of each head to total imports.

Source:—Monthly Statistics af the Foreign Trade of India, Vol. II—Imports.

is REP licences for this purose.

Items included in Part 'B' f the OGL list will be subject o special procedures. In each ase the advertisement procedure has to be followed. Thereafter, where the value is not more than Rs 10 lakhs, the ntending importer can, on an affidavit made by him, proceed o place orders overseas without a licence and in free foreign exchange. Where the value is more, he will make an application in the CG form, together with an affidavit in original, to the CCI & E, New Delhi, who will issue a licence on that basis. Such cases will not be placed before the CG Adhoc or the CG Main Committee.

Capital Goods

In the case of the following industries/projects:

1. Fertilizers;
2. Newsprint and paper;
3. Basic drugs;
4. Basic technical material for pesticides and weedicides;
5. Power generation, transmission and distribution;
6. Mineral exploration, mining and beneficiation;
7. Petroleum exploration and production;
8. Petrochemicals upto the stage of polymers;
9. Manufacture of professional grade electronic components;
10. Waste disposal recycling and effluent treatment projects and ecological engineering;
11. Material handling projects at ports;
12. Sugar;
13. Cement and Cement products (including asbestos); and
14. Hundred per cent export oriented industries.

The intending investor will be permitted to invite global tenders through the *Indian Trade Journal* for his requirements. A minimum of 60 days will be allowed for the purpose. An Empowered Committee headed by Secretary (Heavy Industry) will scrutinise the competitive offers, foreign and Indian and recommend appropriate purchases. Where imports are involved, successful Indian suppliers will, without the need for any further indigenous clearances, be allowed to import the requisite raw materials and components and pay customs duty for these at the same rate as that applicable to the equipment concerned.

The Empowered Committee under Secretary, Heavy Industry, will do a review of the items placed on OGL and recommend additions and deletions thereto every six months in the case of the Part 'B' items of OGL list and every year in the case of others.

Liberal Considerations

Indians returning home for settlement will be assisted in setting up any industry of their choice, using their own savings. No indigenous clearance will be applicable to their equipment or the first year's raw materials requirements. All decisions will be taken within 45 days. Non-resident Indians and persons of Indian origin abroad will also be given liberal consideration for the purpose of making investments in India.

Control on export will continue to operate in respect of a limited number of commodities. The principles in vogue in this regard already provide that such items as are essential to domestic economy will be restricted (or banned) for export.

Most of the items permitted for export would continue to be on Open General Licence. No export licences will be required in such cases. Customs will allow their exports subject to the prescribed procedures and conditions.

Exports of kuth, goat hair patties, knitwear (woollen and mixed), barytes, footwear and ERW pipes have been decanalised. In the case of footwear, exports will in future be allowed subject to the minimum export price obligations prescribed for particular varieties.

The procedure applicable to export of commodities within a limited ceiling, on 'first-come-first-served basis" has been recast. This has been done primarily to assist outstation parties to participate in the export trade and still have sufficient time to arrange their shipments through convenient ports. Hence the earlier practice of endorsing shipping documents directly in such cases, has been replaced by a system of grant of export licences on the basis of which shipping documents can be presented to the customs directly at the ports. Also such export licences will be issued against firm offers of purchase from overseas buyers, subject, however to the grant of the requisite licence to the Indian exporter.

Public relations will be given utmost importance in the new system. For speedy disposal of applications for licences, a 'Counter Assistance System' has been introduced in the licensing offices. Officers will be posted at the counter, in each office, to undertake quick scrutiny of the application for a licence before it is formally

Value of Import Licences Issued by the Import and Export Control Organisation During the Licensing Periods April 1964—March 1965 to April 1977—January 1978

(Value in Rs crores)

Sl. No.	Licensing period	Value of licences* (at post-devaluation rates)
1.	April, 1964—March, 1965	1567
2.	April, 1965—March, 1966	1096
3.	April, 1966—March, 1967	1894
4.	April, 1967—March, 1968	1110
5.	April, 1968—March, 1969	946
6.	April, 1969—March, 1970	1204
7.	April, 1970—March, 1971	1634
8.	April, 1971—March, 1972	1854
9.	April, 1972—March, 1973	1856
10.	April, 1973—March, 1974	2334
11.	April, 1974—March, 1975	2636
12.	April, 1975—March, 1976	3316
13.	April, 1976—March, 1977	4067
14.	April, 1977—January, 1978	5966

*Value of licences prior to June 1966 have been derived by escalating the actual licensing figures by 57.5 per cent. Figures for the period, June 1966 onwards, however, represent value of actual licensing.

filed by the applicant. This will help to ensure that the application is complete in all respects, thus avoiding further correspondence and delay in disposal.

The designation of the Chief Controller of Imports and Exports is being changed to Director General of Foreign Trade. The organisation will play a developmental role and not only one of discharging licensing and regulatory functions. Its new tasks will include import management and analysis of data on trade and prices, etc. It will be a focal point for dealing with the various problems faced by exporters, maintain liaison for this purpose with other ministries concerned and also investigate complaints received against Indian exporters from foreign buyers.

For the benefit of importers and exporters, a new edition of Import-Export Procedures is being published which incorporates the procedures relating to both imports and exports.

Category-wise Value of Import Licences and Release Orders Issued during 1975-76, 1976-77 and 1977-78 (upto January, 1978)

(Value in Rs crores)

Sl. No.	Category	1975-76			1976-77			1977-78 (upto Jan. 1978)		
		Import licences	Release orders	Total	Imnort licences	Release orders	Total	Import licences	Release orders	Total
1	2	3	4	5	6	7	8	9	10	11
1.	Established Importers	46.28	—	46.28	52.33	—	52.33	30.13	—	30.13
2.	Actual Users (Non-DGTD, non-SSI)	633.28	69.00	702.28	1404.43	14.95	1419.38	635.83	4.94	640.77
3.	Raw Materials (DGTD Units)	619.47	319.07	938·54	547.26	70.41	617.67	499.86	7.19	507.05
4.	Small-Scale Industries	87.50	48.97	136.47	107.07	22.33	129.40	76.28	1.51	77.79
5.	Registered Exporters	237.20	67.67	304.87	415.51	60.48	475.99	528.58	53.53	582.11
6.	Capital Goods	562.23	0.05	562.28	506.18	—	506.18	425.70	—	425.70
7.	Heavy Electrical Plants	4.16	—	4.16	3.94	—	3.94	14.74	0.81	15.55
8.	*Ad hoc* (all categories)	147.43	—	147.43	1202·98	—	1202.98	1114.15	0.02	1114.17
9.	Customs Clearance Permits	127.61	—	127.61	75.96	—	75.96	176·34	—	176.34
10.	State Trading Agencies	761.78	—	761.78	1570.91	—	1570.91	1355.43	—	1355.43
11.	Director General Supplies and Disposals	4.21	1·56	5.77	4.71	0·63	5.43	0.93	—	0.93
12.	Railway Contracts	15.75	2.48	18.23	16.59	0·01	16.60	14.79	—	14.79
13.	Government or against Government Contracts	59.66	8.36	68.02	4.79	0.05	4.84	3.87	0.09	3.96
14.	Replacement Licences	4.42	—	4.42	6.11	—	6.11	4.07	—	4.07
15.	Blanket Licences	3.22	—	3.22	0.56	—	0.56	—	—	—
16.	New Comers	1.90	—	1.90	1.63	—	1.63	2.15	—	2.15
17.	Free Licensing Scheme	—	—	—	—	—	—	1082.95	—	1082.25
18.	Others	—	—	—	—	—	—	0.01	—	0.01
	Total	3316.10	517.16	**	5920.86	168·96	**	5965.81	68.09	**

**Grand total of import licences and release orders has not been struck because it would mean double counting.

Notes:—(i) Figures of release orders relate to figures of release orders issued on value basis only.

(ii) The figures for 1975-76 include import licences worth Rs 89 crores (including Rs 76 crores under C.G. category) issued before April 1975 but reported during 1975-76.

(iii) Import licensing figures of POL items, recorded under *ad hoc* category for 1975-76 exclude enhancement in value effected in respect of these items, whereas import licensing figures for 1976-77 are inclusive of such enhancement in value to the extent of Rs 1158.06 crores and for 1977-78 to the extent of Rs 941.09 crores.

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THE DECLINING DOLLAR

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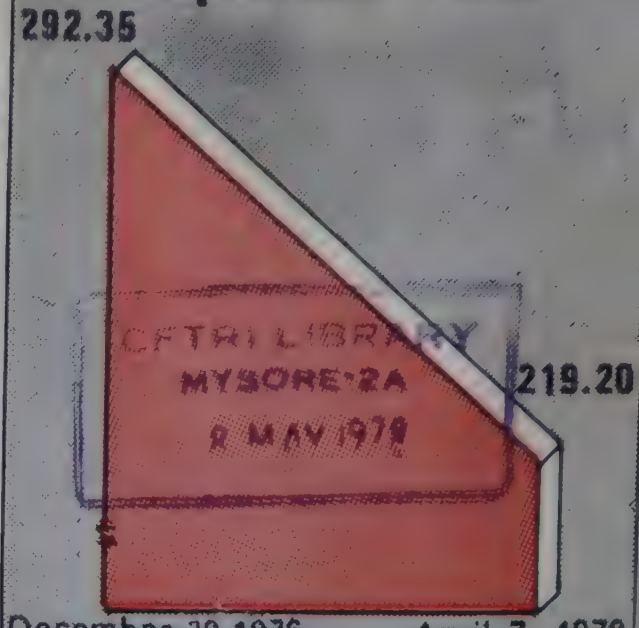
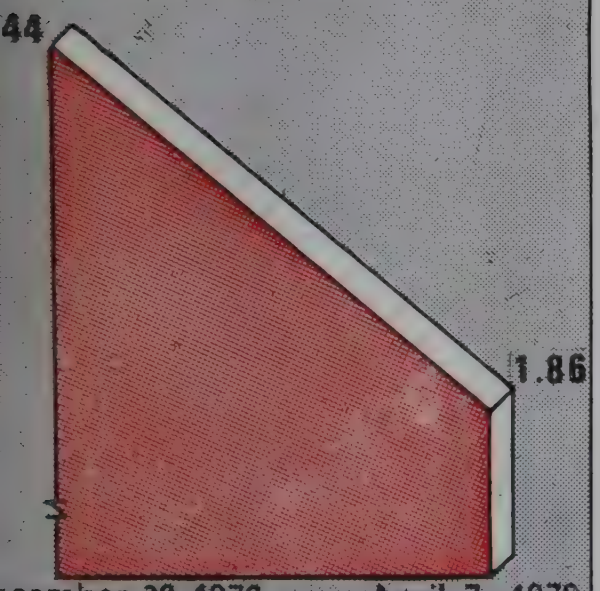


DOLLAR'S VALUE DOWN 25 %

n Swiss Francs



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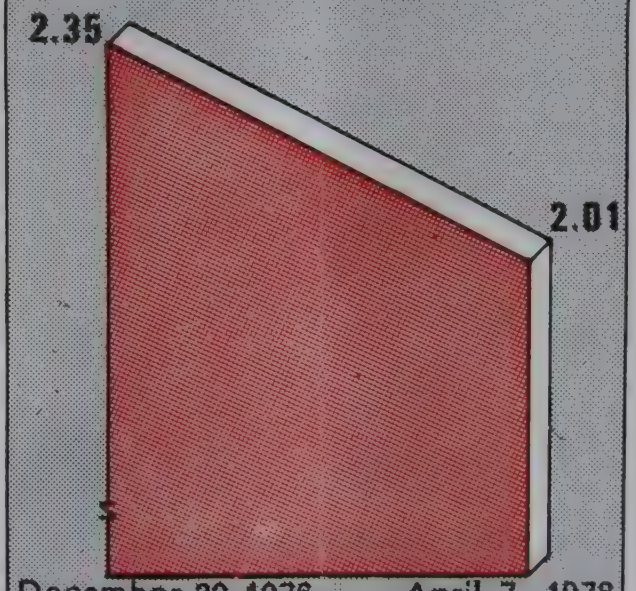
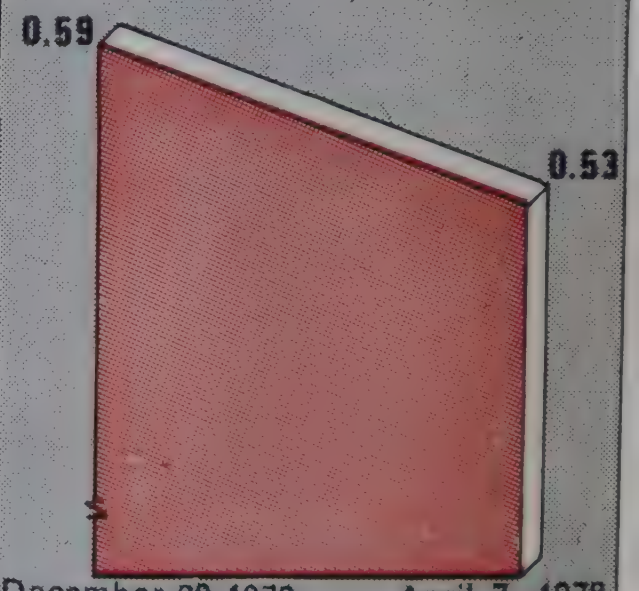
In W. German Marks



DOLLAR'S VALUE DOWN 14 %

In British Pounds



DOLLAR'S VALUE DOWN 10 %

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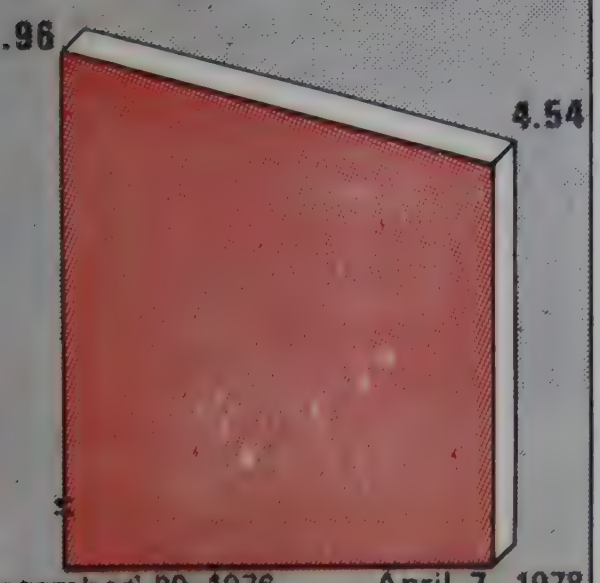
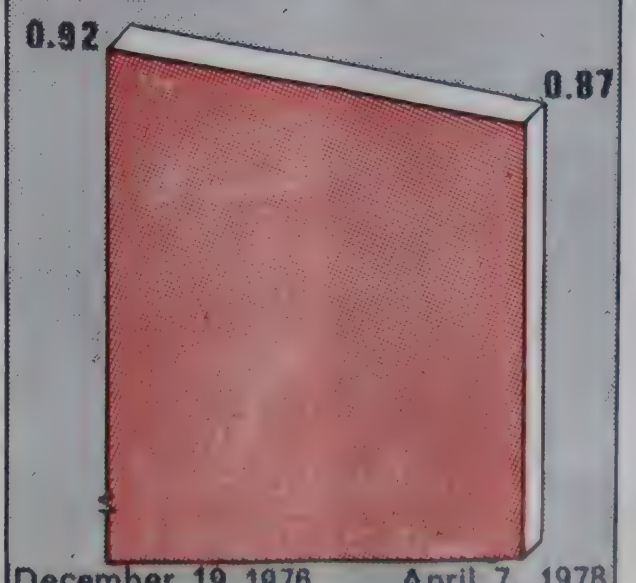


OLLAR'S VALUE DOWN 8 %

In Australian Dollars



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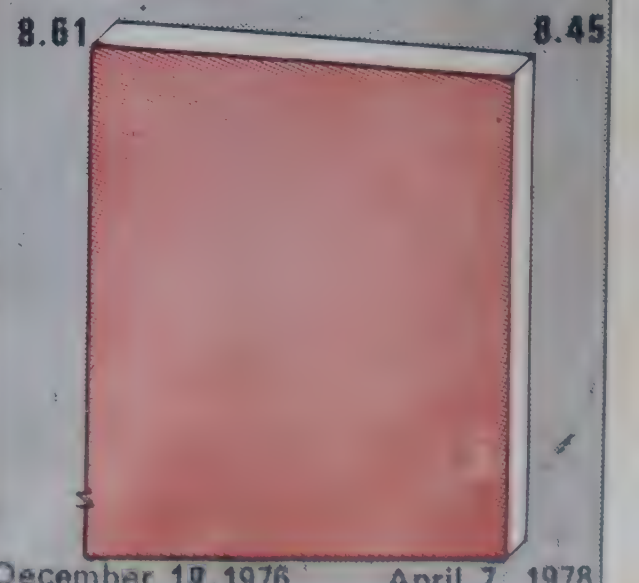

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Farmers on fire

THE AIADMK captured power in Tamil Nadu in the Assembly election last year, not because of its mass contact, but because of the mass appeal of the matinee idol, who is its leader. In the months it has been in power the MGR ministry has not done enough to step out of the celluloid. No wonder it has been caught napping by the down-to-earth realities of the farmers' agitation.

Tamil Nadu is no stranger to agrarian troubles, but the current agitation is of a very special kind. It is not a localized conflict between class interests in a limited area, but a straight, state-wide confrontation between a powerful farmers' lobby and the government. There is nothing abrupt about the outbreak of violence in several districts of the state since the early days of this month. The state government in fact has been playing with a smouldering fire for some time now. The farmers' grievances, formulated in a nine-point demand, have been before the MGR ministry sufficiently long for the latter to realise that there could be danger in delaying its response. This is not to say that the state government was under an obligation to say "yes" to whatever was demanded. Indeed, it was just not possible to concede a package of lower power rates, cheaper fertilizers, postponing of loan recoveries, land revenue and water rate collections and higher prices for farm products. But when a number of representative farmers' associations did complain of widespread harassment by officials at lower levels, the government surely had a duty to step in and correct the situation so that no scope was left for the mischievous or malicious exploitation of the farmers' legitimate grievances. Unfortunately, the chief minister lost until recently in a Hamlet-like irresolution—whether to resume acting on the screen or not—could not give his mind to the danger signals. Indeed, even after the militant Tamil Nadu Agriculturists' Association had refused to cooperate with the government-appointed committee to inquire into the farmers' demands, the chief minister and some of his colleagues were merely content to say that the government could act only after the committee had reported.

All this is not to condone the reprehensible conduct of lawless elements which had organised violent disturbances in many parts of the state. Road blocks were put up by felling trees, blowing up culverts and damaging bridges, big or small. The long-distance state transport services were disrupted by the burning of buses and the intimidation of passengers. There was even the outrageous incident of several stranded women bus passengers being raped by a gang of hooligans. Public opinion cannot but abhor and condemn the individuals or, perhaps, groups which have so thoughtlessly and cruelly exploited the farmers' agitation, but it is worth pointing out that neither the chief minister nor any of the other ministers has been able to say with any clarity whether any organized political party or even any recognised farmers' association is behind these acts of violence. The chief minister has indeed spoken of a Naxalite pattern, whatever this may mean. In any case, no murders are reported to have been committed by those taking part in the farmers' agitation or exploiting it for their own purpose. Explosives no doubt have been used in a few cases for destroying culverts or bridges. But, then, it has been shown, surely, that dynamite has an appeal to a variety of activists, political or other. One of the ministers has made a somewhat wild charge that Mr Karunanidhi, the DMK leader, may be behind the trouble-makers. But, even he has not accused the DMK party as such. Since the public knows only too well that Mr Karunanidhi has successfully become an intolerable thorn in the side of the AIADMK and particularly its leader, it is unlikely to give credence to an unsubstantiated declaration of an AIADMK politician that the DMK leader is the arch-villain of the piece.

Actually, the state government's inability so far to identify even broadly the criminal elements involved in the widespread violence, following its initial failure to anticipate the trouble, must necessarily damage public confidence in the AIADMK

ministry's general capacity to govern and its particular competence to handle law and order. There has no doubt been praise in some quarters for the firmness with which the police had acted at least after the authorities had got over the initial shock of the incidents of mob violence, but it cannot be overlooked that police firings have claimed eight lives and the government has had to stage a show of force by going to the extent of seeking army assistance in the form of a flag march through the affected area of a district. Moreover no account or analysis of the disturbances will be complete without notice being taken of the fact that the trouble was sparked off by the rounding up of a large number of farmers by the authorities, which was followed by demonstrations of protests which, in turn, led to the use of tear-gas by the police. When all this totality of developments is taken into consideration, the state government cannot escape blame for contributing to the emergence of a situation which could not be controlled without the police meeting violence with greater violence.

comic relief

There is no tragedy without its comic relief. In this case the Agriculture minister in the Tamil Nadu government having characterized the agitation as a rich farmers' show, the president of the Tamil Nadu Agriculturists' Association, which is spearheading the agitation, has asked the government whether it could name the "big farmers" when, according to the government itself there is a ceiling on land-holdings and therefore no landlord can be having more than 15 standard acres. The minister's reply has been that the government in fact has a list of farmers in the state possessing more than 15 standard acres, although such possessions are under *benami* transactions. He has offered to make the list public in about two months. So much for the land reforms that were that were.

The Tamil Nadu troubles have a lesson not only for Tamil Nadu. Here, in New Delhi, we have a senior leader of the ruling party, Mr Charan Singh, crusading for a massive transfer of resources to the farming sector. This means in reality that the rest of the community should subsidise more and more the inputs of agriculture as well as the incomes of farmers, the latter through price supports for farm products. No wonder farmers across the country are coming to believe that they have a right to the subsidies. They are not prepared to bear the economic cost of water, electricity, seeds or fertilizers. They are also not prepared to repay out of the proceeds of their increased production even concessional loans taken by them from state governments, cooperative societies or nationalized or other banks for productive purposes. It does not interest them that there is need to conserve electricity and water and that one of the ways of encourgaing conservation is not to make these facilities unduly cheap. They are not impressed by the argument that fertilizers or better seeds had t subsidised only when farmers were convinced of their profitability or not familiar with their usage. The si tion is not rendered any better by wide-eyed innocence of babes from backwoods, such as the deputy chairm of the Planning Commission, who g about preaching the virtue of garner resources for a bigger sixth Plan, pa by taxing the farm sector through di or indirect levies. In other words, wh Mr Charan Singh is exciting the expec tions of the farming communities, Lakdawala is fanning its fears. With much madness about, who can say th the men who have been blowing bridges or burning buses in Tamil Na are necessarily the craziest of the lot ?

What price wheat?

DESPITE THE recommendation of the Agricultural Prices Commission (APC) that the procurement price for all the varieties of wheat for the 1978-79 marketing season should be maintained at the last year's level of Rs 110 a quintal, the government of India has decided to raise the procurement price by Rs 2.50 to Rs 112.50 a quintal. In a statement made in Lok Sabha on April 12, 1978, Mr Surjit Singh Barnala, central minister for Agriculture and Irrigation, stated that this step had been taken "to maintain the incentives for boosting wheat production." Mr Barnala also said that the issue price for wheat released from the central pool for public distribution would be maintained at the old price of Rs 125 a quintal. Conceding that the enhancement of the procurement price without any increase in the issue price would result in inflating the subsidy which is already being provided by the government, Mr Barnala hoped to persuade the surplus states to bring about reductions in procurement charges such as sales tax and various handling costs. He was not sure if all the proposed increase in the procurement price would be covered by these economies, but an attempt, he said, would certainly be made to minimise the additional burden of the subsidy. Assum ing that the wheat purchased by th public sector agencies this year is aroun eight million tonnes and the expecte economies in costs do not materialis this would raise the subsidy by abou Rs 20 crores.

The farmers' lobby in Lok Sabha wa not satisfied with the increment in th procurement price of wheat agreed t by Mr Barnala. His critics described th decision as unjust to farmers. Later i the current month, when the demands for the grants of the ministry of Agricul ture and Irrigation come up for discus sion in the Lok Sabha, Mr Barnala i likely to face even harsher criticism.

The truth of the matter is that the wheat crop this year is anticipated to be a bumper one. Total output of wheat this year, according to the APC, is likely to be more than 30 million tonnes as against 29 million tonnes last year. Even though restrictions on the inter-state movement of wheat were withdrawn last year and the trade pipelines were completely filled, the purchases of wheat by the public sector agencies were as high as 5.2 million tonnes, a major portion of which came from Punjab and Haryana.

heat prices all over the country have ready started falling and it is highly kely that the market price of wheat in e coming weeks will fall below the pport price fixed by the government. he APC is of the view that the public ctor agencies should be geared to pport purchases of the order of six illion tonnes but there are clear indica-ons that the wheat purchases of these gencies would range between seven and ight million tonnes. Last year, the with-rawal of restrictions on inter-state ovements of wheat had diverted size-ble quantities to the inventories of the rivate sector. Since the private sector ealers both in the wholesale and retail rade are already holding sizeable stocks, heir demand for wheat is likely to be of lower order than was the case last year. With increased production and reduced fftake by the private sector agencies, the ublic sector agencies will have no option ut to come to the succour of the farmers hrough procurement at support prices.

no cogent reason

How did Mr Barnala arrive at the igure of Rs 112.50 a quintal for the wheat support price in the current eason? In the statement made in Lok Sabha, no reference has been made by him to the rising costs of inputs. In fact, no cogent reason has been advanced for raising the support price by Rs 2.50 a quintal only. However, the report of the APC has an appendix (reproduced elsewhere in this issue), which sets out estimates of cost of cultivation of wheat in Haryana and Punjab for 1976-77. These estimates have been made by the Direc-torate of Economics and Statistics. It has been demonstrated that the cost of pro-duction of wheat in 1976-77 was Rs 119.03 a quintal in Haryana and Rs 101.39 a quintal in Punjab. Whereas the cost of production of wheat in Haryana was always lower than that of Punjab from 1971-72 to 1975-76, it jumped sharply in 1976-77. The obvious conclusion is that while the return on investment to the farmer in Punjab will be substantial (Rs 11.11 a quintal), the farmer in Haryana will be a net loser by Rs 6.53 a quintal for the sale of wheat to the public sector agencies.

These estimates of cost of cultivation of wheat in Punjab and Haryana, how-ever, have been tagged on to the APC report for the first time. The APC has not shown that the Directorate of Econo-mics and Statistics has erred in any way in making these estimates. Its recom-mendation regarding the maintenance of the support price for wheat at Rs 110 a quintal is based not on the cost data but on two reasons advanced by it. First, an increase in the procurement price would either increase the subsidy or cause a corresponding rise in the issue price. Since efforts are being made to enlarge the consumption of wheat through the food-for-work programme "by releasing wheat at a price lower than the current issue price", the raising of the issue price would be unjustified. Mr Barnala has also agreed that the issue price of wheat cannot be increased. The govern-ment is committed to reducing the subsidy instead of enlarging it. Already, the cost of subsidy is estimated to be more than Rs 400 crores a year. Accord-ing to the details furnished in the ex-planatory memorandum on the budget of the central government for 1978-79, the offtake from the central pool during the current year is estimated to be of the order of 10.1 million tonnes (rice, wheat and coarse grains). The budget for 1978-79 has made a provision of Rs 456 crores for subsidy payable to the Food Corporation of India. The estimates of economic costs of foodgrains and the rate of subsidy are set out in the table below. Surely, the burden of the subsidy on the central government is significantly large. All efforts should be made to reduce it instead of letting it increase. The Planning Commission, in its draft Plan for the period 1978-79—1982-83, has pleaded for a drastic reduction in th subsidy.

Second, the effect of the increase in th support price granted to gram last yea for raising its production will be neutra lised by any sharp increase in the whea support price, and the expected increas in the area under gram may not tak place.

A member of the APC, Chaudhr Randhir Singh, has appended a note o dissent to the recommendations of th committee. He is of the view that the wheat support price should be raised to Rs 120 a quintal. Guided by the arith-metic of cost of cultivation of wheat, he sees no reason why the farmer should be asked to sell his produce, parlicularly in Haryana, at below the cost of cultivation. The small increase in the support price of wheat conceded by the government may not only not satisfy the wheat sur-plus states but is also likely to cause trouble elsewhere. At the next rabi crop, the powerful paddy lobby in Lok Sabha will demand an increase in the support price for rice purely on the parity basis. Having conceded the increase—however small—in the support price of wheat, the government will find it hard to resist the demand for raising the support price for rice. If under politi-cal pressure, it is forced to do so, it would substantially inflate the food subsidy, thus overthrowing the apple-cart of the Finance minister's budget.

At the state level, certain incentives are provided to farmers over and above the support price fixed by the centre. For example, last year the Punjab govern-ment had given an incentive bonus of the order of three rupees a quintal for sales of wheat made by the farmer at the

Subsidy on Foodgrains (Rs per quintal)

	Wheat (Weighted average for both imported & indigenous)	Rice indigenous	Coarse grains
Purchase cost	133.26	140.91	84.11
Distribution costs (pooled)	15.13	15.13	15.13
Total economic cost	148·39	156.04	99.24
Issue Price	125.00	156.00	86.00
Subsidy per quintal	23.39	0.04	13.24

Source: Explanatory memorandum on the budget of the central government for 1978-79 (Page 40).

official support price of Rs 110 a quintal. Now, Gujarat has announced the support price of wheat at Rs 120 a quintal i.e. the incentive bonus in that state has been fixed at Rs 7.50 a quintal. Since the total production of wheat in Gujarat this year is estimated at 1.2 million tonnes which is insufficient for the total demand of the state and there is no compulsory levy procurement, the incentive bonus by the state will need to be paid for very small quantities which might be sold at the support price. The market price of wheat in rural areas in Gujarat at this time ranges above Rs 120 a quintal. It means that the financial burden of the increased support price declared by the Gujarat government may not be significant. But this does cause uneasiness in wheat surplus states which procure substantial quantities of wheat but cannot afford to pay the large incentive bonus offered by such states as Gujarat.

Recession in West Bengal

THE PRESIDENTIAL speech of Mr J. Sengupta at the annual general meeting of the Bengal Chamber of Commerce and Industry, held in Calcutta recently, highlighted the prospect of recessionary conditions in West Bengal's economy being intensified in the coming months. He said that the indiscriminate increase in the excise duties and the levy on coal and electricity might lead to further escalation of production costs and accentuate the problem of demand-recession. He also observed that the slight decrease in the interest rate might provide only "insignificant relief" to the corporate sector while the high rates of the corporate taxation and the disallowance of some essential costs would continue to prevent industries from generating adequate internal resources for ploughing back profits. Mr Sengupta expressed the hope that the government of India would give careful consideration to the recommendations that would be shortly submitted by the Direct Tax Laws Committee. But their implementation would take time. Meanwhile, what are the steps being taken by the government of India to halt the deepening recession in the strategic state of West Bengal? Mr H. M. Patel, the central Finance minister, has been saying that the massive investment proposed in the annual plan for 1978-79 will help to stimulate demand. But will it have a favourable impact on West Bengal's economy?

The Association of Indian Engineering Industry has expressed concern at the prospect of the railway wagon industry languishing for want of adequate orders. In a press release, issued a few days ago, the association said that during 1978-79 the funds available to the Railway Board would be sufficient only for 8500 wagons. Already a victim of "gross under-utilisation of capacity", the industry will continue to face stagnation and will be "condemned to its present ludicrously low capacity utilisation of about 35 per cent". The Association urged that the quantum of wagon procurement in 1978-79 should be examined afresh and the proposed offtake revised upwards.

Other important industries of West Bengal are also facing acute hardship. The plight of the jute mills is well-known but that of several others has not been properly publicised. For instance, the Bengal Millowners' Association has pointed out that the cotton textile industry in the state will have to bear an additional cost of one crore rupees annually because of the levy on power imposed by the centre and that the mills will have to pay an extra amount of Rs 150,000 each, every month, due to the levy on coal. These burdens are expected to have a heavy impact on the dearness allowance payable by the industry since the cost of all commodities will go up.

The Indian Tea Association has also drawn attention to the erosion of its profitability. The association has said that the two-year wage agreement and the imposition of an export duty "at the unprecedentedly high rate of Rs 5 per kilo" are having "very far-reaching effects" on the industry but its effect on Darjeeling has been more severe than in other areas.

Apart from the special problems faced by individual industries what worries them all, more than anything else, is the non-availability of adequate power. The president of the Bengal Chamber of Commerce said that the power situation had become "desperate" and that it required some "drastic treatment to avoid hardship to various sections of the community and continued disruption in industrial production". But what sort of "drastic treatment" he would like the government to adopt? His speech contained no suggestion in this regard. He only pleaded for the import of gas turbines and the implementation of the power projects without further delay. Nor did Mr Jyoti Basu, who inaugurated the chamber's annual session, hold out hope of any improvement in power supply in the immediate future.

In this background, it will indeed be most unfortunate, though not surprising,

if recessionary conditions in West Bengal become more acute in the next few months. The prospects of creating more opportunities for employment are far from encouraging. West Bengal's proposals to introduce unemployment allowance and to enforce compulsory recruitment through employment exchanges will not help to generate more jobs. The Bengal Chamber's President has welcomed both these measures as "steps in the right direction" but is his view shared by the other business organisations or even by all members of his own chamber? Have employers full confidence in the employment exchanges and in their ability to recommend the right type of candidates? Will not this procedure constitute another deterrent to the growth of new industries in West Bengal? Incidentally, it seems significant that neither Mr Sen Gupta nor Mr Jyoti Basu indicated as to what progress had been made so far in implementing the investment proposals, worth Rs 163 crores, submitted by the constituents of the Bengal Chamber over a year ago. If these are expeditiously carried out, it will help to create more jobs, improve the investment climate, and revive the state's economy.

Flying profitably

IN THEIR twentyfifth year, both Air-India and Indian Airlines are on a high-flying course. Air-India has made a record profit of Rs 25 crores during the year 1977-78 and Indian Airlines promises to improve on its performance of 1976-77, which itself was a peak year of its working with a surplus of Rs 20.74 crores.

Air-India carried during 1977-78 around 1,020,000 passengers as against 943,000 last year, showing a growth of eight per cent, thus crossing the million mark for the first time. This progress was achieved by Air-India, in the face of severe competition in the industry, by ensuring flexibility of operations, dynamic marketing to improve the load factor and market shares, an imaginative mix of high-yield and low-yield traffic and a substantial increase of capacity on the more remunerative routes. The higher profits were also partly due to an improvement in the state of the world airline industry and increase in IATA fares.

The present fleet of Air-India, which consists of nine Boeing-707 and five Boeing-747 aircraft, is proposed to be increased with the addition of 10 wide-bodied aircraft by 1983, which includes one for replacement of a Boeing-747 aircraft for which orders have already been placed. With this addition, the carrying capacity of Air-India will increase from 1,196 million available tonnes Kms (ATKms) in 1977-78 to 2,034 million ATKms in 1982-83. The entire programme of expansion of Air-India is to be financed out of its internal resources.

Air-India continues to spread its net wide to secure more passengers. For instance, with the new time-table effective from April 1, Air-India has resumed its twice weekly 707 operations to Mauritius, while Air Mauritius will continue its once-a-week operations. Also one extra 747 service will be operated to London thus making a total of ten such services to the UK, seven of which operate on to New York. As soon as the latest aircraft arrives in July 1978, Air-India will, for the first time, introduce three India-Paris 747 terminators via Frankfurt. This marks a first step to the Paris-USA/Canada operations which are expected to materialise some time in 1980-81.

While, in recent months, the traffic growth to and from the Gulf has not been very encouraging, Air-India hopes that the situation will improve shortly. It has therefore planned to increase its present 27 flights a week to the Gulf by two 707 services from August. It may also request the Indian Airlines for one more airbus service on lease in the summer. If all these plans materialise, the total one-way capacity offered to the Gulf per week might be over 5,500 seats.

The frequency to east Africa (Nairobi) is also proposed to be increased from the present three flights a week to four by winter of the current year. Subject to bilateral agreement, one of these flights may be extended to Lusaka (Zambia). If traffic growth warrants, the frequency to west Africa will also be doubled.

A distinctive feature of Indian Airlines is its operation of wide bodied aircra the golden triangle, Delhi-Bom Calcutta. In fact two more wide-bo airbus A300 B2 aircraft will join Indian Airlines fleet by June 1978. W the airline had inducted the present of three wide bodied aircraft on the density trunk routes in December 197 had retained an option for three m aircraft and has now exercised option two of them. This agreement has secu three additional options for possible fu requirements. The existing fleet of th airbus aircraft accounts for about 34 cent of the total passenger and ca capacity of Indian Airlines which will up to about 44 per cent when the additional aircraft are added. As a res of the use of these aircraft, the airl has been able to hold the fare struct as of February 1974.

Indian Airlines now has a fleet of th airbuses, 15 B-737, three Caravelles, eig F-27 and 15 HS-748 aircraft. With investment of Rs 190 crores, the Indi Airlines proposes to add to its fleet capacity equivalent to 17 B-737 aircra increasing its carrying capacity in ter of available seat Kms from 4,846 milli ASKms in 1977-78 to 8,245 milli ASKms by 1982-83. A present, India Airlines has both turbo-prop and jet ai craft. For some time to come, it is pla ned to continue to use turbo-prop aircra on a few routes due largely to the limita tion of the available infrastructural fac lities at certain airports.

The International Airports Authorit of India proposes to improve inter national airports in the country. Th Civil Aviation department also propose to bring about similar improvements in domestic airports. The programme aims at the expansion and improvement of aeronautical communication services and acquisition of aerodrome equipment for ensuring safety and reliability. It is also proposed to augment calibration facilities so as to improve the quality and reliability of operation of radio, radar and navigational aids installed at various airports. The extension, strengthening and improvement of runways and taxi-tracks are to be taken up at a number of airports so as to facilitate the safe operation of all types of aircraft.

CAPITAL'S CORRIDORS

R. C. Ummat

Fertiliser plans • Agreement on Salal • Pool price for zinc ?

A SUBSTANTIAL step-up in the indigenous production of fertilisers, both nitrogenous (N) and phosphatic (P_2O_5), has been projected for the current financial year. During the year just gone by, the output of nitrogen is estimated to have aggregated to 2.1 million tonnes and that of P_2O_5 to about seven lakh tonnes. This year we are expected to manufacture 2.45. million tonnes of nitrogen and eight lakh tonnes of P_2O_5. In 1975-76, the production of nitrogen amounted to just 1.535 million tonnes and that of P_2O_5 to 3.2 lakh tonnes. In 1976-77, the former increased to 1.9 million tonnes and the latter to 4.8 lakh tonnes.

The above increases in production have resulted primarily from an improvement in the utilisation of installed capacities as well as creation of new capacities. The capacity utilisation of the P_2O_5 manufacturing plants in 1976-77 improved to 79 per cent from 68 per cent in the previous year and that of nitrogen producing projects to 72.5 per cent from 70 per cent.

improved capacity

With an increase of nearly two lakh tonnes in the production of nitrogen and 2.2 lakh tonnes in that of P_2O_5, the capacity utilisation improved further last year, as the additions to capacity in both the lines were only small. Currently, the installed capacity for producing nitrogen is around 3.028 million tonnes and that for manufacturing P_2O_5 around one million tonnes.

Various measures are being taken to further improve the capacity utilisation at the existing units. A Plant Operation Improvement Programme is currently under implementation in some of the projects of the public sector—the Fertiliser Corporation of India (FCI) and the FACT—with $ 17 million assistance from the International Development Association (IDA). The primary aim of this programme is to remove bottlenecks in the operation of the production facilities of these two undertakings. Another programme for improving the utilisation of capacity of the plants in the public, private as well as cooperative sectors has also been launched. This too is being financed with assistance of the IDA which has provided a loan of $ 105 million for this purpose.

production of nitrogen

As a result of the commissioning of 12 projects under various stages of implementation at present, the capacity to produce nitrogen would go up to 5.1 million tonnes and that for manufacturing P_2O_5 to 1.311 million tonnes by 1981-82. The actual yield from the two capacities in that year is expected to be four million tonnes of nitrogen and one million tonnes of P_2O_5. The current five-year Plan, which has been launched with effect from April 1, estimates the demand to go up by 1982-83 to 5.25 million tonnes of nitrogen and 1.6 million tonnes of P_2O_5. There will, thus, be a gap of 1.25 million tonnes of nitrogen and six lakh tonnes of P_2O_5 between the demand and supply from indigenous sources. Additional capacity is proposed to be put up to bridge this gap.

Owing to the availability of substantial resources of natural gas from the Bombay High and Bassein areas, the feedstock policy for fertiliser manufacture has undergone a substantial change in the recent past. Earlier, the government had decided that, to the extent possible, fertiliser projects to be set up in the future should move away from naphtha and use fuel oil/coal. Accordingly, six plants were planned on the basis of fuel oil as feedstock and three for producing fertilizers from coal. Except one coal-based project, the other units are under implementation.

The revised feedstock policy, however, envisages that (1) where natural gas is availabte, it should be the preferred feedstock; (ii) consideration should be given to the further use of coal as feedstock in the light of the experience of the operations of the two coal-based plants currently under implementation; and (iii) thereafter the use of gas and coal should be arranged on techno-economic considerations; namely, area of consumption, logistics of transportation, viability, availability of raw materials, etc. While the use of fuel oil as feedstock would be excluded for the present for all new fertiliser projects, the use of naphtha as feedstock for entirely new plants would be considered only in the case of a long-term disposal problems at inland locations. Consideration, however, would be given to the use of naphtha as feedstock where existing plants at inland locations can be extended at relatively low capital costs and completed in a short span of time.

gas based plants

In line with the revised feedstock policy, the establishment of four gas-based plants is envisaged in western India and of one in Assam. The Assam project will utilise the associated gas from the ONGC and Oil India concessions there. Of the four western India projects, two are proposed to be set up south of Bombay in the public sector based on associated gas from Bombay High. The remaining two are being considered for location north of Bombay. One of these will be in the public sector and the other in the cooperative sector. A private sector undertaking, M/s Nagarjuna Fertilisers, is putting up at present a fuel oil-based plant at Kakinada in Andhra Pradesh. The five gas-based projects are envisaged to be large-sized units. Along with the Kakinada project and further improvement in the capacity utilisation of the existing plants, the new gas-based ventures, it is hoped, will be able to wipe out largely the likely deficit in the production of

nitrogenous fertilisers compared to the 1982-83 demand estimates.

As regards phosphatic fertilisers, a working group has been set up to make recommedations about the further augmenting of capacity. The detailed programme for specific new projects or expansions in this line is proposed to be drawn up after the recommendations of this group are received.

Besides the plant operation improvement programmes which are being implemented with assistance from the IDA, the public sector projects have been regrouped on regional and feedstock basis to be handled by four corporations instead of two as hitherto. The Fertiliser Corporation of India has been split up into three manufacturing undertakings, namely, the residual Fertiliser Corporation of India, the Rashtriya Chemicals and Fertilisers Limited (RCF) and the Hindustan Fertilisers Corporation Limited (HFC). The reduced FCI will look after the Sindri project (including Sindri modernisation and Sindri rationalisation) and the Gorakhpur, Talchar, Ramagundam and Korba plants. The RCF has taken over the Trombay project and will put up the new plants based on the Bombay High gas. The HFC has been entrusted with the Namrup, Haldia, Barauni and Durgapur plants. The other public sector undertaking which was already in the field, namely National Fertilisers Limited (NFL), has been allocated the Nangal project along with the Bhatinda and the Panipat units which it is putting up at present. The Planning and Development Division of the FCI has been made a separate company, namely, Fertilisers (R& D) India Limited.

current indications

According to the current indications, of the projects under implementation, Trombay-IV is expected to go into commercial production this month, Nangal expansion and Sindri modernisation in July and Sindri rationalisation in October. The two Sindri projects will add three lakh tonnes to the P_2O_5 manufacturing capacity and the Nangal and Trombay projects will increase nitrogen production capacity by 226,800 tonnes and P_2O_5 capacity by 75,000 tonnes. The two coal-based plants at Talcher and Ramagundam, which are expected to be completed this year, will go into commercial production only in April next year. They will add to the nitrogen manufacturing capacity to the extent of 455,500 tonnes. The Haldia project, which will increase nitrogen making capacity by 150,900 tonnes and that of P_2O_5 by 75,000 tonnes, will start producing on commercial scale in July next year. Trombay-V, which is to be based on naphtha or natural gas and will raise the nitrogen producing capacity by 118,700 tonnes, is likely to be in commercial production by October, 1980. The implementation of the Korba coal-based plant is being delayed, as it is to be implemented after the assessment of the working of Talcher and Ramagundam projects. No date, therefore, has been fixed as yet for its completion. It will be of the same size (227,700 tonnes N) as the Ramagundam and Talcher plants.

* *

With the signing of an agreement between India and Pakistan here last week on the Salal Dam, decks have been cleared for the construction of the Salal hydro-electric project on the river Chenab in the state of Jammu and Kashmir. It will generate annually 345 MWs of power which should go some way in improving power availability not only in Jammu and Kashmir but also in the other neighbouring states.

The agreement, however, is much more significant from another point of view. It reflects a steady improvement in the Indo-Pakistan relations which had been bedevilled right since independence for one reason or the other, resulting in four conflicts, the last one in 1971. The process of normalisation of these relations, of course, started with the Simla agreement in 1972 and was fostered recently with the two countries resuming diplomatic relations and the opening up of trade channels though to a limited extent. The Salal agreement makes it abundantly clear that Indo-Pakistan disputes can be amicably settled in a spirit of give and take, provided there is a will on the two sides to sort out differences.

The two countries, indeed, can profit a great deal by having good-neighbo relations on the basis of equality and pect for each other's sovereignty, should be reflected by the fact that limited opening of trade channels has ready resulted in India exporting to Pa tan goods worth Rs 37 crores last y and Pakistan supplying to India go worth nearly Rs 27 crores. These tra relations can get further fillip as the t economies are complementary to ea other to a substantial extent and there good prospects for India's trade w Afghanistan and Iran through the Pakis land route.

benefit to Pakistan

Pakistan can greatly profit fro this trade in the form of revenu from transportation and servicing. It reported to be amenable to allow th transit trade but desires assistance for t development of its roads for the purpos This should not be an intractable proble as some assistance can be made availab by Iran, Afghanistan and India. Th utilisation of some portion of the de which Pakistan owes to us, can be co sidered as our contribution towards th above end.

The agreement on the Salal project which has been reached after protracte negotiations ranging over eight years, fol lows by and large the scheme originally sub mitted to Pakistan and informally agreed to by it in October, 1976. There, however, has been a slight modification in the original proposal to the effect that the height of the spillway gates has been lowered—to 30 ft. This will mean that there will not be available any operating pool of water and the entire water of the Chenab beyond the full pondage level, equivalent to the dead storage capacity of not exceeding 230,303 acre ft., will be allowed to spill over to the Pakistan side.

The following are the salient features of the design of the Salal project agreed to by India and Pakistan:

(i) **Location**: Salal; Longitude 74° 50′ East; Latitude 33° 08′ North.

(ii) **Full Pondage Level**: Not higher than EL 1,600 ft.

(iii) **Dead Storage Level**: Same as the full pondage level.

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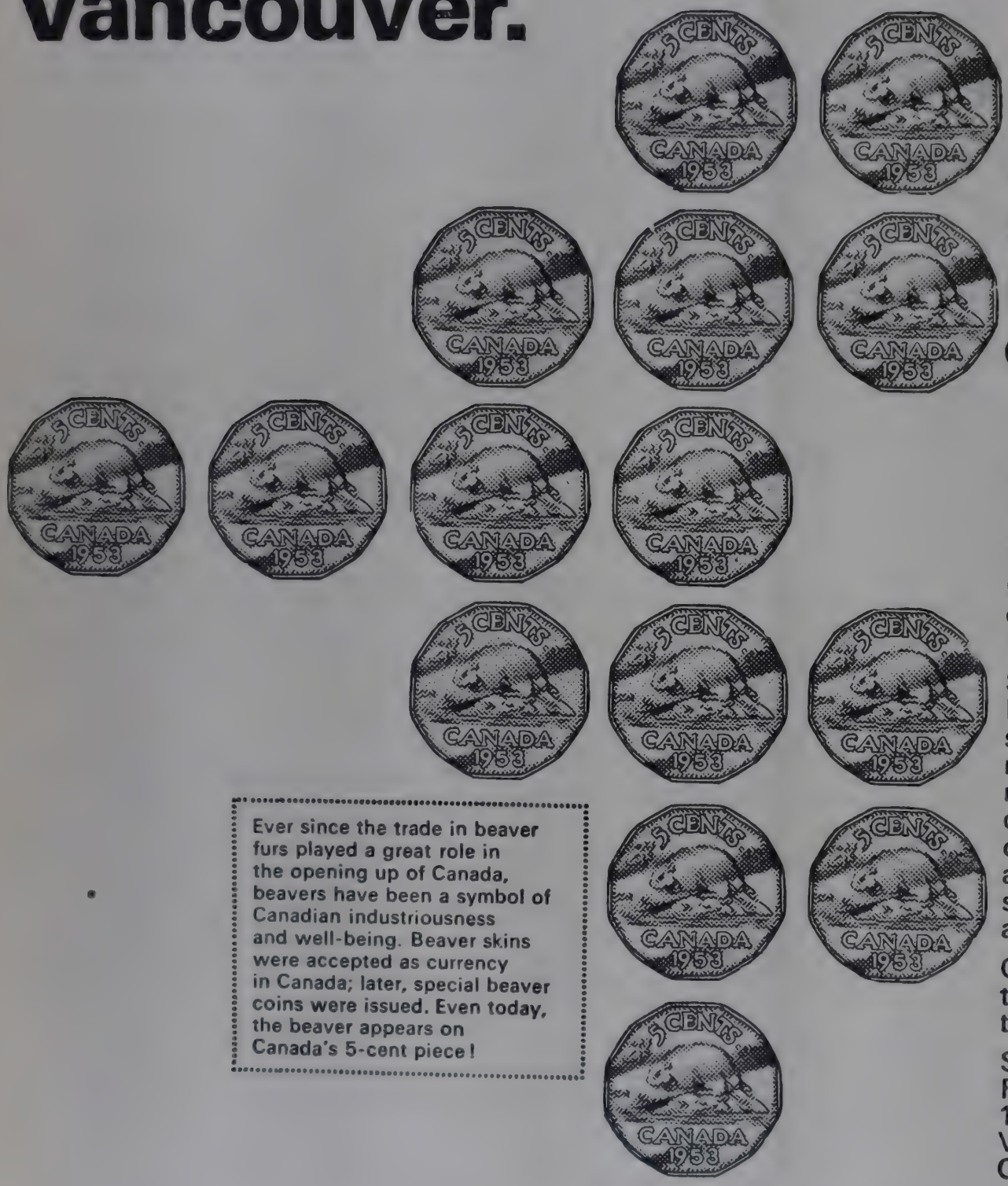

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(iv) **Operating Pool**: Nil

(v) **Dead Storage Capacity**: Not exceeding 230,303 acre feet.

(vi) **Immovable Crest Level of the Spillway**: Not more than 30 feet below the full pondage level.

(vii) **Spillway Gates**: 12 numbers, 50 feet wide and 30 feet high. The design shall provide for water to spill over the top of the spillway gates if the gates are not opened in time.

(viii) **Level of Power Intakes**: The centreline of the penstocks at the intake to be not lower than 27.5 feet below the full pondage level.

(ix) **Outlet Works**: Six numbers with cill level not below EL 1,365 ft. These shall be permanently closed with concrete plugs within one year of the date of the first filling of the reservoir up to the full pondage level or within three years of the date of the first filling of the reservoir upto the crest of the spillway, whichever is earlier. The dead storage shall not be depleted except in an unforeseen emergency endangering the safety of the earth or the concrete dams. In that event, India shall give immediate information to the government of Pakistan of the nature of the emergency and may simultaneously undertake such action as may be necessary. In case the removal of concrete plugs becomes necessary, India shall hold immediate consultations with the representatives of the Pakistan government, including site inspection of the plant.

* *

The Bureau of Industrial Costs and Prices is understood to have been entrusted with the task of evolving a pool price for imported and indigenously-produced zinc metal. Currently, the price of this metal is governed by the sale price of the Minerals and Metals Trading Corporation which effects imports of zinc in substantial quantities to meet the gap between the requirements and the supplies from domestic source. The need for having a pool price for zinc on the pattern of the price for nitrogenous fertilisers has arisen because of the sharp decline in the world price, following shrinkage of demand for the metal from the automobile industry, particularly in the United States. Compared to the 1976-77 level, the sale price of zinc has been reduced by the MMTC by as much as Rs 3,500 per tonne from approximately Rs 14,000 per tonne. This has resulted in a loss of revenue to Hindustan Zinc Limited (HZL), a public sector undertaking, to the tune of as much as Rs 12 crores during 1977-78, which is said to have completely wiped out its profitability, even after taking into consideration the lower cost of imported zinc concentrates and some improvement in the price of lead. The pre-tax profit of the undertaking, which amounted to as much as Rs 10.2 crores in 1975-76, is projected for 1977-78 at just around Rs 83.29 lakhs. This is despite the fact that its operations have expanded markedly during the last two years.

output of zinc cathodes

As a result of the stabilisation of production at the Debari zinc smelter and the start of production at the new Vizag smelter (the Debari project is an integrated one from the ore mining stage, while the Vizag smelter is based on imported concentrates), the output of zinc cathodes went up during 1977-78 to as much as 44,319 tonnes from 16,174 tonnes during the previous year. The production of zinc ingots increased to 33,500 tonnes from 14,533 tonnes. There was also nearly 22 per cent increase in the production of refined lead—to 7,543 tonnes from 6,181 tonnes. Substantial increases were witnessed in the production of single superphosphate (to 42,000 tonnes from 32,452 tonnes), cadmium metal (to 48,505 kgs from just 7,834 kgs), sulphuric acid (to 78,745 tonnes from 27,933 tonnes) and silver (to 11,419 kgs of marketable refined product from 5,698 kgs).

Further sizeable increases in production of zinc and lead are envisaged during the current financial year. The HZL, which catered for less than 15 per cent of the country's requirements of zinc in 1976-77 and about 30 per cent in 1977-78, is likely to meet nearly 60 per cent of these requirements this year. Its share in the virgin lead metal market, which was about 10 per cent in 1976-77 and nearly 15 per cent last year, is expected to go up to 25 per cent this year. The production last year would have been even more impressive had there not been frequent power cuts and interruptions due to prolonged stoppage of the Ranaprata Sagar atomic power station. These interruptions and cuts are stated to have affected the output of the Debari smelter by at least 10 per cent.

effect of modification

Besides the sharp drop in the world price of zinc, the budget proposals of the Finance minister for the current financial year are expected to cost HZL Rs 11.25 crores on account of the excise duty on electricity and coal and Rs 40 lakhs on account of the modifications in the excise levies of other raw material inputs.

Hindustan Zinc, however, aims at 90 per cent capacity utilisation at the Debari and Vizag smelters in 1979-80. The Debari smelter has the capacity to produce annually 45,000 tonnes of zinc metal and the Vizag smelter 30,000 tonnes. In view of the current situation in the world zinc market and the total zinc smelting capacity in the country having already gone up to 96,000 tonnes, further augmentation of this capacity may have to be delayed. Decisions in this regard will have to be taken purely on economic considerations. It is, however, proposed to keep on shelf some projects for implementation in the 1980s.

A significant modification which may be effected in the policy of augmenting zinc and lead manufacturing capacity in the country may be that expansion of the lead refining capacity may be accorded a higher priority. The lead refining capacity has been augmented in the recent past through setting up a lead smelter at Vizag and expanding the Tundoo smelter, but still the demand can be met from indigenous sources to about 40 per cent. This can be done by concentrating in the coming years on the exploitation of such lead-zinc ore resources which have a higher content of lead than zinc. It is expected that by 1983-84, we might be having, on the basis of the projects under considerations, a surplus of lead concentrates to the extent of 20,000/30,000 tonnes metal equivalent.

The elite in modernising rural society

Dr Verghese Kurien

Dr Verghese Kurien, Chairman, National Dairy Development Board, Gujarat, discusses "The Role of the Elite in Rural Development", while accepting the "Business Leadership Award" from the Madras Management Association on April 7. He was delivering the fifth Anantharamakrishnan Memorial Lecture in honour of that eminent industrialist of south India. Dr Kurien deplores an economic order in which "the very people who are producing the things which we need most should get the least benefit from society" and pleads that the *elite* should work for "a structure which enables the people themselves to decide what is needed—a structure which puts tools into the people's hands for creating what they need".

IN OUR COUNTRY, especially, if one has had access to higher education, if one has the opportunity to exercise a skill or specialisation, if one occupies a position of authority—in all these cases, one is inextricably bound up with the elite. One may not agree with the elite. One may at times be in conflict with some part of the elite. But, in all these cases, one has to *deal* with the elite—and, whether one likes it or not, one is a part of the elite.

When I was speaking in Ahmedabad a little while ago (to a very elite group, incidentally), I had occasion to describe the elite. I said then, "It appears to consist of five groups;

"The bureaucrats, jacks of all trades and masters of none, except of the so-called administrative machinery (which they themselves have erected).

"The politicians, manipulators of words and images, so pre-occupied with the maintenance of their power that they can spare no time to learn how to use it to the benefit of the community (which is why they depend on bureaucrats, to give the machinery of government on appearance of motion).

"The academicians, who gave up the process of learning long ago—and who therefore have to spend their energies on deceiving successive generations of students into thinking that they are really learning.

"The contact men and the industrialists, the self-styled masters of industry, who pursue the gains of industrial production without the application of industriousness and productivity.

"The technocrats and management experts, who varnish our feudal and mercantile businesses with superficially glossy layers of modern management's trappings and terminology."

Now, it could at least be argued that this view of the elite is pessimistic, that it takes an unjustifiably grim view of the quality of our leadership. Nevertheless, there is too much truth in it for comfort—and I believe that the time is drawing near, when either we must change our

POINT OF VIEW

ways, or history will change them for us. Therefore, what I am suggesting here today is that it is time that we, the elite, reconsider our present role in society.

Admittedly, it is not an easy task that faces us. I do not think that any society can be said wholly to have solved the problem of how to modernise a village society. It is not simply a problem of trying to retain all that is good in our villages: It is a problem of trying to retain what is good, while also getting rid of what is bad, to the extent that is possible.

And there is much that is bad, no doubt. Most villages are dominated by casteism. They are rigid in their customs. Their society is a narrowing one, in which the aged press heavily on the young—and the depredations of poverty press very heavily on almost all.

Set against these disadvantages, there are the virtues of many village communities. They are socially self-supportive. Everyone knows everybody else and everyone feels that he has a place in the community. Their objectives are simple: They know what they want (even if they cannot get it). Perhaps much of this stems from the advantage of working on the land. If you work on the land, you literally reap the fruits of your own labour. You know what you are producing. You know what you are doing and why you are doing it. The land is tangible—and, if nature is kind, at the end of your labours, you reap a harvest, to support your family.

significant activity

Moreover, never before was working on the land more manifestly a significant activity. Because, never before has there been a greater need for more food, for a better diet for our people. In the cities, as well as in the countryside, the need is all too plainly to be seen.

Many of us, in the cities, are always harping on how we want to do some work which is "significant". In the villages, the farmers are doing something significant: they are providing food and fibre for all of us; yet the village is precisely the place from which the brightest of the young are fleeing.

Frankly, I am not surprised that this should be so. There is much in the village for the young to flee from. But this is something which has to be changed—and, if that change is ever to start, it must be initiated by our country's elite. The most important task, which faces our elite today, is that of leading the drive to modernise our rural society.

I suggest that the problem is not really the villages, as such: the heart of it lies in ourselves. We have known very well for many years what needs to be done, but we have not got to grips with doing it.

What needs to be done is fairly straight-

forward. Villages need adequate food, clothing, sanitation, health-care and primary sdhooling. They need, in brief, to make the village environment one which is hospitable to man, one where children can grow up happily and healthily—and develop themselves to the fullness of their potential.

Today, in modernising India, this means that "I" want to feel that I am a part of a society which knows where it is going—and where my children will have a part to play, a chance to contribute according to their ability. We cannot have a modernising society unless this vision becomes true. Modern society is complex. It can create great benefits for all its members. But to obtain those benefits, the society has to master many complex technologies. These technologies are the fruits of advanced science. To make use of them, a society has to make good use of all the intelligence its members prossess—and there simply is not enough intelligence and motivation, in any society, for a society to be able to afford to waste any of it. Yet, in our villages, we are wasting most of the intelligence and motivation available because the majority is denied access to education, to the whole system which identifies individual abilities and developes them to the full.

senseless prejudice

It makes no sense, that the very people who are producing the things which we need most should get the least benefit from society. I refer, of course, to the farmers and the agricultural labourers, who produce the food we all must eat and the fibre we need to clothe us. They are producing what our society needs—food and fibre, which are needed in increasing quantities—yet their rewards are the least: not only their financial rewards, but even the "recognition", or the "status" they are accorded, if you wish. And, along with the rest, the children of the innovators in our villages—the brightest of the young—are confined to systems of education and up-bringing which give them the least chance of developing their potentiality to the full.

This is illogical. Especially when we consider that the greatest good for the greatest number would be created, if we could not only produce enough food and fibre—but also, if we could produce it with increasing economy. But this calls for more innovation, right in the village—and, therefore, for the fullest development of the brightest of the young in the villages.

stress on productivity

This means that the process of modernisation should enable our villages to become more productive, for their own good and for the good of society at large. Yet the elite has not got to grips with the task of increasing the village's productivity. It is not, for example, simply a task of "providing jobs." Allow me to illustrate. Suppose we got a lot of foreign aid and this enabled us to take, say, the 30 million families in which all, including the head of the household, are unemployed, or grossly under-employed. Suppose we could use the money given to us to create "jobs"; 3 million (10%) to be politicians and social workers; 6 million (20%) to be the domestic servants and peons of the politicians and social workers thus created; 9 million (30%) to be lower division clerks—"administrators"—who would "run" the programme within government; and the remaining 12 million to be "extension workers", telling the farmers how to produce the extra food and fibre needed by the lucky 30 million beneficiaries of the programme...

In such a programme, thirty million jobs would be "created"—but not even the "extension workers" would actually be producing anything. Such programmes are the result of "development" from the top, down.

Clearly, the approach will neither create a society which is more productive, nor enable people to live a life which is satisfying. Yet it is also true that, even if we wanted to, we could not remove unemployment by creation of conventional "industrial" jobs: we cannot create enough of such jobs to enable the unemployed and the under-employed to become productive. Therefore, it is clear that, if we really want to modernise our society, we can do it only if we find ways of enabling people to become more productive in the village itself.

I said earlier that the problem is not really in the villages, as such—but that lies within ourselves. By that, I mean that we have all known, for a long time what needs to be done in a predominantly rural society. That is to say, we know that more gobar gas plants are needed, more roads, more primary schools etc.—and we have a pool of young educated men and women who are capable of creating these things... But when we come to a specific village, a specific block, a specific district—then we cannot prescribe everything that is needed there. These matters cannot simply be decided at the top and then pushed down into the villages. When we try to do that—whether from New Delhi or from Madras—we usually get it wrong.

To get it right, we have to go to the villages. They know what they need. They know their priorities. They know their resources (and, God knows, the country has all too little resources, considering the difficulties which face us)—but, to apply those resources wisely, inventively, in ways which best suit each particular village's situation... to do that, we have to rely on the village's own intimate knowledge of its resources, its problems and its priorities.

the new structure

What is needed, therefore, is a structure which enables the people themselves to decide what is needed. A structure which puts tools into the people's hands for creating what they need.

The problem of our elite, in achieving this, is simply that we are so distant from the village—so distant that we cannot make our knowledge and skills available and useful in the village.

This is especially so with regard to material things. Poverty is based on a lack of material things. It may lead to hatred, divisiveness and meanness of soul—but it starts with a lack of things. To label a concentration on things as "materialism" will not make the problem go away. We have to recognise that most of our people do quite simply need food, clothing, housing and clean water to drink. If that is materialism, then so be it.

The elite commands—indeed, it monopolises—the skills and modern science, which can make these things available to

our people, if ever we decide to get down to the job.

I know (because I have worked in such matters for over 25 years) that when villages are given genuine access to a system, which puts the tools of modernisation into their hands, then they know what to do. Moreover, they know how to choose the people who will get the job done: get it done sensibly, honestly and diligently. They choose people, from among themselves, on that basis.

I can assure you, for example, that a village milk producers' co-operative is not run on the basis of caste or community. Here am I, for example, an elected chairman of five hundred thousand Gujarati milk producers—and I am from Kerala. Why do the farmers take such a man to their heart? Presumably because they trust him.

The Kaira District Co-operative Milk Producers' Union (better known as "Amul") has 831 village milk producers' co-operatives—and everyone of them has an elected managing committee. You do not find that the chairman of the committee is there because he is a Brahmin or a Patel or whatever. You do not find that he is there because he speaks this language or that. You do not find that he is there because he comes from one faction or another. He is there because the village has decided that he is the best man to do the job and they trust him to do it well.

distant objective

Frankly, the imperatives of caste and community, the sharing out of status among the elders—in other words, the rituals of our power structure—are left to the panchayat, to the election of MLA's and so on. The more distant the objective from the village's own reality, then the more the village is willing to let the elite "play its games"—and to share out its tawdry spoils on the basis of its own rather meaningless pecking order.

For the village, first things come first. The closer to the village the objective, the more effectively does the village act. But, to get that quality of action, the structure for decision-making must be in the village's own hands.

And this is happening right here in Tamil Nadu—at Erode for example. Many of you must have seen how the people of Erode are forming their own milk cooperatives and managing them very well: 139 of them so far. And these village co-operatives are affiliating themselves into District Milk Producers' Unions.

Now, the managing committee of each village cooperative is chosen by the milk producers themselves—and those representatives of the milk producers choose the directors of their union from among themselves. In other words, the structure of village cooperatives is a structure in which the producers make their own decisions.

Why do they have a union? A union means that all the villages, collectively, agree that the interest of the majority is paramount: that the interest of the majority may over-rule the particular interest of an individual village. Yet the villages join in such a union. Why ? Because through the strength of their union, they are able, collectively, to obtain access to the instruments of modernisation, which our present system denies them as individuals.

professional management

For example, through the union they are able to employ professionals. The dairy, which they own through the union, is managed by a professional manager. The union employs skilled veterinary doctors, who visit the villages regularly every week—and who are available round the clock for emergency calls. The farmers can see that these professionals are really working for them. In other words, they can see that the union is an organisation which brings modern science to serve them. And the result is a more productive system.

All this is done under the direction of the rural producers themselves. Policies are set by managing committees and boards of directors chosen by farmers from among themselves. Moreover, in the next stage of our dairy cooperative development, the co-operative unions are joining together to form federations of unions, so that they can operate a shared marketing programme, for example—and employ more professional marketers to operate the system.

Surely that is what we mean when we talk about "putting the tools of modern science into the hands of our farmers". The people of Erode do not have to be told that they need better veterinary services, or artificial insemination for their cows. What they need is access to these tools of modern science, access to a structure whereby they can employ the managers, the scientists, the engineers and the technicians who are needed to operate the system. In Erode, that is what is happening.

But it was not easy to achieve. It was not easy to achieve, not because of difficulties in the villages, but because it was opposed by the concerned elite.

in reverse gear

As soon as the elite saw what a powerful combination it would be, if the professionals were really to join hands with the farmers, then they brought every available weapon to bear against the formation of that cooperative structure. The bureaucrats threw their so-called administrative machinery into reverse gear. The politicians mouthed meaningless slogans, distracting the rural community from their true interest. The academicians wanted no part of this battle with the reality of village poverty. The industrialists opposed the idea that farmers should come to know that they can own and operate their own factory. The technocrats and the management experts wanted no part of such a project, which would require something deeper than the superficial trappings and terminology of modern "management methods" . . . So they all fought the Erode concept: they delayed it for 18 months.

It is a good example of how our elite works—or, a base example of how our elite does not work. This is the hard reality that we, the elite, have to face: we are trapped in a system of our own making—and, when good things do not happen in our villages, it is because of our own actions within this system.

We have to climb out of this trap.

We have to stop looking at our role in society as a means of hanging on to the material rewards ourselves—and hoping

to keep the rest of the society quiet by giving them bread and circuses.

We have to stop treating "leadership" as if it consisted only of shouting slogans about peripheral issues—such as language, community, regionalism and what have you; shouting slogans about these things can, at the most, only serve to distract a deprived majority from its true needs in the short run.

We have to stop building cities as citadels, with golden ghettos in which to house ourselves, carefully surrounded by a thin layer of middle-class housing, as a buffer between ourselves and the poverty of the majority outside.

Perhaps above all, we have to stop using our positions in the elite simply as a means of supporting each other's self-interest. At present, the politicians let the administrators have their way, because they depend on them to keep the show running. The administrators let the politicians give the impression that they are running the show, as long as they do not threaten the security of the administrative services. The academicians let the politicians and the administrators do as they will, as long as they do not demand too much in the way of results from research and teaching . . . "You scratch my back and I'll scratch yours" is not a principle on which any culture can survive.

inbred destruction

Moreover, a culture which attempts to survive on this basis can only bring about its own destruction. We are not living in imperial India today. We cannot maintain our privilege by fawning on our masters—and then quietly attribute all our ills to alien rulers. They are, after all, no longer alien. We are all part of the same nation—and even the farmers now know this. They know that a decent life (and even a good livelihood) is within their reach. They know that we, the elite, are already enjoying it. The question is only whether the farmers will wait for us to reach out to them and enable them to share in the benefits of modernisation—or whether they will become impatient and seize those benefits for themselves.

I hope and believe that the elite will not much longer grudge the rural majority what is due to it. And I see reason for my hope. I see hope particularly in the up-coming generation of educated young people—many of them represented here today, no doubt. I see hope in the increasing awareness that many ordinary working people have—in the cities and in the villages: awareness of the fact that the cities and the villages have mutual interests. Awareness that the cities need what the villages are producing and that the villages need the skills which are at present largely confined to the cities. Also, there is, slowly growing, a more genuine appreciation of what is meant by such words as "tradition" and "culture"—there is a deeper appreciation of what these things mean in our modernising society, of what they can contribute to our society . . . So there is good reason to hope that change will come—and that our elite will play its proper role in it.

resistance to change

Yet, it is true that we all resist change. We are each in our own groove. In our heart of hearts, we know that there is need to make many changes—but we would rather leave things as they are and let the next generation do it.

Yet we cannot keep passing the buck from one generation to the next. It has gone on too long. There has to come a point in time when it stops—and I believe that that time has come.

Hard though it is to change, we should welcome this as an opportunity: a chance to show that perhaps we have more to offer than we have shown so far . . . Because the very difficulties of change present challenges, and opportunities, to all of us who enjoy the privilege of power, the advantage of education. Change requires hard thinking and hard work. It has to be thought out with great care and conducted with great skill and diligence. To last, each successive round of change has to provide the vital stepping stone to the next round of change—and that, by my observation, is not easy to achieve. It calls for all the skill that is available.

We have the skills that are needed. We have the knowledge, the understanding. I personally do not believe that we are so ignorant of what life is like in o villages. But most of us, I fear, ha not yet come to grips with the meaning many of the words which we have learn through our privileged access to educ tion and power, words which we hav learned—but learned only as slogan

equal opportunity

When we say, "equal opportunity," w really mean that the child of that sweepe should be able to go to the same schoo as that child, my child. When we say "equal pay for equal work," we reall mean that that man, that harijan is doin just as good work as that man, tha Brahmin, my brother, and that he shoul get the same pay for it. When we say "let us renovate the bureaucracy," we really mean that we, ourselves, cannot shuffle pieces of papers and hold endless committee meetings, instead of actually getting down to the job for which we are responsible. When we talk about "standards of professional management," we really mean that we, ourselves, should observe the standards, the "codes of conduct" which we prescribe to others.

If we can face up to these realities, then I believe that we, the elite, will actually find life more satisfying—and the have-nots may even give us a new lease of life. It is not difficult to know what we should do, it is only difficult to make overselves do it.

For politicians, it means addressing real problems and unifying people, instead of dividing and ruling;

For bureaucrats, it means working to get results, not only to get rewards;

For educators, it means learning and continuing to learn, in order to be able truly to teach;

For industrialists, it means being industrious, creating productivity and rewarding productivity, instead of speculating and looking for sheltered markets;

For managers and technocrats, it means pursuing our profession truthfully, not bending to win rewards from the wealthy, not bending to share privileges enjoyed by power holders—it means, instead, maintaining a mastery over one's subject and practising one's profession truthfully,

o the benefit of the people who need it nost.

In short, it means a hard path, perhaps, ut the rewards can be great. No other ountry has quite the same resources as we have: our unique combination of a long-established culture; a vast array of natural resources, spread across a sub-continent; millions of skilled, diligent farmers—and, now, a remarkable pool of motivated, educated young people . . . All the tools are with us, in our hands, to effect the transformation of our predominantly rural society. Never has an elite had such an opportunity.

Dangers of growing public debt

Subhash J. Rele

The figure of external debt at Rs 8976.07 crores in March 1978 as indicated in the budget papers is alarming according to the author. By next year it would increase by another Rs 1000 crores. The burden of repayment, he feels, will become frightfully heavy.

THERE has been a lot of critical comment from industry and trade circles on various budget proposals particularly concerning additional cost of indirect taxation but nobody seems to raise even a whimper about a staggering level of public debt reached at the end of 1977-78. According to the budget papers the outstanding public debt of the government of India amounted to Rs 25,303.18 crores at the end of 1977-78 and was expected to amount to Rs 29,420.24 crores at the end of 1978-79.

(in crores rupees)

	As on March 31 '78	As on March 31 '79
Internal Debt	16327.11	19610.89
External Debt	8976.07	9809.35

"Internal debt" comprises loans raised in the open market, compensation and other bonds, prize bonds and 15-year annuity certificates. It also includes borrowings of a temporary nature, viz, treasury bills issued to the Reserve Bank, state governments, commercial banks and other parties, as well as non-negotiable, non-interest bearing securities issued to international financial institutions such as the International Monetary Fund, International Bank for Reconstruction and Development, International Development Association and Asian Development Bank.

In addition, government is liable to repay the outstandings against the various small savings schemes, provident funds, deposits under the special deposit schemes and income tax annuity deposit schemes, depreciation and other interest bearing reserve funds of departments like railways, posts and telegraphs, etc.

under-estimating damage

There is a tendency to under-estimate the damage the ever-growing public debt can do to our economy. Our planners and policy-makers in the past never paid any heed to the oft-repeated warnings given by world bodies. The result is that the pace of growth in debt burden has increased in recent years. Some of the defenders of public debt assert that in terms of the GNP-public debt ratio, India is no worse off than the developed nations of the world. They argue that the ratio of public debt to GNP for Canada was 60, for Britain 97, for Australia 58 for the USA 48, and for India it is just 58, and hence not harmful. This argument is shortsighted and superficial.

The debts of the state governments to the centre have increased more than hundred-fold in the last 25 years. At the end of 1947-48, the debt stood at Rs 62 crores. Loans to the states now account for more than half the total outlay of the central government. Increase in state governments' debts was due to the large assistance provided by the centre year after year for their development outlays, leading to creation of capital assets and for meeting non-Plan needs. States find it easy and convenient to go in debts at the drop of a hat, by resorting to overdrafts. This must stop once and for all. The centre and state governments can ignore the danger signals at their own peril. All this is not defeatism but a plea that a difficult problem should be faced squarely so that credible remedies can be devised.

The Economic Survey for 1977-78 has pointed out that the volume of net external assistance received by India increased from Rs 159 crores in 1972-73 to Rs 1154 crores in 1975-76. In 1976-77, however, it declined to Rs 844 crores. Consequently, the proportion of imports financed by external assistance which was 22 per cent in 1975-76, fell to 17 per cent in 1976-77. The survey feels that in view of the anticipated lower level of net aid in 1977-78, this proportion is likely to go down further.

increasing external aid

It must be pointed out that the continued increase in the gross disbursement of external assistance between 1973-76 reflected the impact of such factors as grants under the UN Emergency Operations Scheme, the USSR Wheat Loans, larger IDA assistance and oil credits. In 1976-77, however, it is good to know that gross inflow of external assistance came down by 13 per cent compared to the level of gross aid in 1975-76 due mainly to lower assistance from oil producing countries and virtual absence of grants under the UN Emergency Operations Scheme. The figure of external debt at Rs 8976.07 crores in March 1978 as indicated in the budget papers is quite alarming. By next year it would increase by another Rs 1,000 crores. In consonance with the rising pace of public debt, the service charges also increase. In just one decade total debt servicing has jumped from Rs 333 crores in 1967-68 to Rs 842 crores (estimates) in 1977-78. Our debt service ratio to foreign exchange earnings, which was about five per cent in 1960 shot up to 16.5 per cent in 1965, 19.8 in 1966, 20.3 per cent in 1968 and 23 per cent in 1975-76. Currently, we are devoting more than three per cent of our na-

tional income for debt servicing. Debt repayment obligations are nearly 30 per cent of our exports.

More than eight years ago, Lestor B. Pearson, in his report, had described the rise in debt service payments of developing countries during the last 15 years as "explosive". He felt that this can jeopardise the development process of developing nations if they fail to take proper action at their earliest. It is common knowledge that as public debt grows the cost of servicing also increases. Our repayment obligation imposes a tremendous burden on the economy. It puts a strain on foreign exchange and acts as a drain on internal resources. One sometimes gets the feeling that the trumpet of achievement on our bulging foreign exchange reserves is being blown too loud and too long.

encouraging complacency

This is unfortunate for this encourages complacency when the need is to put reserves to productive use. It must be remembered that there are still far more uncertain factors which can change the picture on the foreign trade front. All the same, it is naive for any government to expect to build a new social order on the strength of its accumulated foreign exchange reserves. The burden of servicing foreign loans has been steadily rising over the years. The burden of repayment will become still bigger during the sixth Plan period. It is rather painful that the central and state governments continue to be complacent about the rising debt liabilities, internal and external. A tenfold increase in government indebtedness is quite alarming, to say the least. even though it is conceded that the rise in prices during the planning period has considerably reduced the magnitude of the real interest burden on these debts. The only consolation, if it can be called so, is that the great bulk of our public debt is internally held. This implies that the debt does in no way alter the wealth of the nation. This, however, ignores the other very serious implications of huge and growing public debt on the future generations. Is it too much to expect the Janata government to see logic and reason and evolve a national policy towards public debt?

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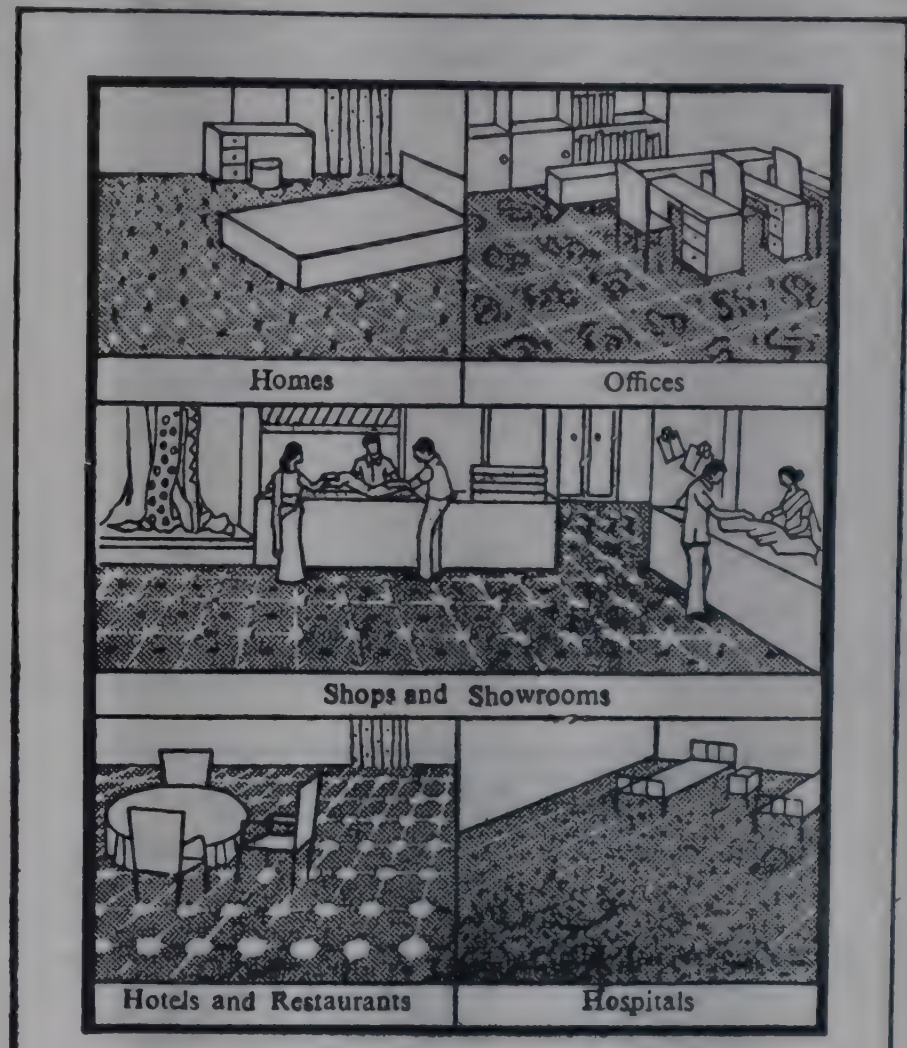

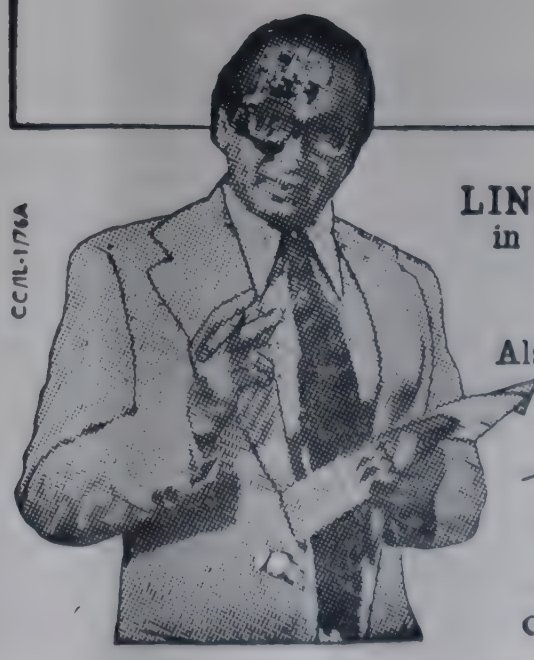

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Prognosis of the ailing American dollar

Velayudhan Pillai

In this article, the author discusses the background to the dollar's depreciation and the international implications of its continuing slide. He argues that the weakness of the dollar is not a passing phase in international economic transactions and that it could well lead to the second major breakdown in this decade of the international monetary order, unless the major trading nations come together immediately to avert this denouement. The author is currently a Research Fellow at the Metropolis Studies Centre of Maxwell School in Syracuse University, USA.

THE FIRST three weeks of March witnessed a dramatic fall in the value of the American dollar in international financial markets and, more importantly, a persistent decline of confidence in that currency among financial circles. The governments of the US and West Germany responded to this "disorderly functioning" of the exchanges by announcing a major joint effort to intervene in the European currency markets to stem the long slide of the dollar against stronger currencies. In Tokyo, the Japanese central bank purchased an estimated $2 billion of US currency to prevent further slide of the dollar. In spite of this, the dollar fell nearly 3.5 per cent in relation to the Japanese yen in the first three weeks of March alone. None of the interventionist policies seem to have restored the market's confidence in the American currency. Speculators continue to sell dollars to buy Deutsche mark, Swiss franc and Japanese yen. No one can predict when this psychology of the currency markets will turn around and how much the dollar would have depreciated by then. It is, however, clear to everyone that the further weakening of the dollar will have a very serious impact on the domestic economies of most of the nations and that it will prompt responses from several nations that might be harmful to the international economy.

WINDOW ON THE WORLD

The dollar has been losing value in foreign exchange markets ever since the collapse of the post-war monetary system in the summer of 1971. The dollar was devalued in 1971 and 1973 and the system of flexible exchange rates that ensued permitted further inexorable declines in the value of the dollar. The purchasing power of the American dollar in terms of the West German mark, the Swiss franc or the Japanese yen has declined by about 50 per cent in the last ten years.[1] (Table I) gives foreign exchange rates of 24 major world currencies in terms of US cents (one dollar equals 100 cents) during 1974-77.

It can be observed from the table that several currencies appreciated substantially in terms of the dollar during 1974-77. The appreciation in the value of the Swiss franc to the tune of 42.98 per cent between the annual average rate in 1974 and the monthly average rate in December 1977 is perhaps the most striking case. But impressive gains were also made by other currencies against the dollar during the same period: the Japanese yen appreciated 20.96 per cent, the Dutch guilder 15.26 per cent, the German mark 20.08 per cent, the Belgian franc 15.15 per cent and the Austrian shilling 20.85 per cent. Correspondingly, several currencies have lost their values vis-a-vis the American dollar. Sri Lanka's rupee slided 58.61 per cent, recording the largest depreciation in relation to the dollar during the four-year period. Other striking cases of weakening currencies are Mexican peso 44.93 per cent, the Portuguese escudo 37.34 per cent, the Spanish peseta 29.42 per cent, the Italian lira 25.74 per cent, the South African rand 21.73 per cent, the Australian dollar 21.22 per cent and the British pound sterling 20.75 per cent.

the main point

The main point to be made here is that the American dollar has been losing its value in relation to the strong currencies of nations with large and expanding trade activity such as West Germany and Japan, who also happen to be the major competitors of the US in world markets. In contradistinction to this, the currencies against which the dollar has gained belong to countries which have been either experiencing unusual political and social problems having economic overtones or are minor partners in world trade.

In simple economic terms, a decline in the value of the dollar, especially under a scheme of flexible exchange rates, implies a shortfall in world demand for the US dollar in relation to its supply. This situation has a direct bearing on the balance of trade positions of trading nations. If the value of the American exports is less than the value of goods imported into America, the foreigners who have sold their products in the US market have acquired command over dollars, the entire stock of which cannot be offset by their purchases from the US. Then, there will be a surplus of dollars in foreign hands and, if they try to reduce the size of the surplus, a glut for dollars in foreign exchange markets, pull-

TABLE I

Foreign Exchange Rates of 24 Major Currencies—1974-77

(American cents per unit of foreign currency)

Country/currency	1974	1975	1976	1977					
				July	Aug	Sept	Oct	Nov	Dec
1. Australia/dollar	143.89	130.77	122.15	112.20	110.47	110.37	111.90	112.70	113.36
2. Austria/shilling	5.3564	5.7467	5.5744	6.1691	6.0792	6·0377	6.1567	6.2551	6.4734
3. Belgium/franc	2.5713	2.7253	2.5921	2.8208	2·8107	2.7910	2.8229	2.8396	2.9608
4. Canada/dollar	102.26	98.30	101.41	94.230	93.028	93.168	91.010	90.145	91.132
5. Denmark/krone	16.442	17.437	16.546	16·769	16.590	16.188	16.359	16.327	16.833
6. Finland/markka	26.565	27.285	25.938	24.902	24.801	23.977	24.139	23.986	24.299
7. France/franc	20.805	23.354	20·942	20.607	20.415	20.314	20.574	20.614	20·844
8. W.Germany/deutsche mark	38.723	40.729	39.737	43.827	43.168	43.034	43.904	44.633	47.499
9. India/rupee	12.460	11.926	11.148	11.342	11.465	11.450	11.605	11.576	11·712
10· Ireland/pound	234.03	222.16	180·48	172.26	173.97	174.31	177.11	181·78	185.46
11. Italy/lira	.15372	.15328	.12044	.11330	.11332	.11318	.11353	.11388	.11416
12 Japan/yen	.34302	.33705	.33741	.37756	.37499	.37486	·39263	.40872	.41491
13. Malaysia/ringgit	41.682	41.753	39.340	40.443	40.131	40·600	41.088	41.910	42.201
14. Mexico/peso	8.0000	8·0000	6.9161	4.3528	4.3629	4·3776	4·4069	4.4096	4.4059
15. Netherlands/guilder	37.267	39.632	37.846	40.983	40.831	40.604	41.048	41.366	42.955
16. New Zealand/dollar	140.02	121.16	99.115	97.160	96.826	96.812	98.152	99.392	100.59
17. Norway/krone	18.119	19.180	18.327	19.023	18.863	18.226	18.232	18.328	19.056
18. Portugal/escudo	3.9506	3·9286	3.3159	2.5953	2.5678	2.4606	2·4601	2.4575	2.4755
19· South Africa/rand	146.98	136·47	114·85	114.98	115.00	115.00	115.04	115·04	115.04
20. Spain/peseta	1.7337	1.7424	1.4958	1.2382	1.1804	1.1824	1.1902	1.2060	1.2237
21· Sri Lanka/rupee	14·978	14.385	11.908	13.700	13.721	12.301	11.618	8.7721	6.2000
22· Sweden/krona	22.563	24.141	22.957	22.991	22.472 ·	20.602	20·846	20.848	21.44
23. Switzerland/franc	33·688	38.743	40.013	41·487	41.523	42.115	43.909	45.507	48.168
24. United Kingdom/pound	234.03	222.16	180.48	172.26	173.97	174.31	177·11	181.78	185·46

Note: Averages of certified noon buying rates in New York for cable transfers.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*; Vol 64; No 1; January 1978; P A 68.

TABLE II

Balance of Trade for Selected Countries 1971-77†—Annual and Quarterly*

($ billion)

Period		USA**	France	W. Germany	Italy	Netherlands	United Kingdom£	Japan	Canada£
1971		— 4.8	0.8	4.6	—0.9	—1.0	0.6	4.3	2.1
1972		— 9·7	1·3	6·3	—0.8	—0.2	—1.7	5.1	1.5
1973		— 2.4	1.6	12.7	—5.6	0·1	—5.7	—1.4	2.1
1974		—10.1	—3.3	19.7	—10·6	0.0	—12.2	—6.6	0·8
1975		3.7	1.3	15.3	—3.6	0.3	—7.1	—2.1	—1.4
1976		—14.8	—4.2	13.8	—6.5	0.7	—6.5	2.4	0·7
1975:	I	— 0.4	1.8	19.1	—3.6	—1.7	—8.2	0.3	1.8
	II	6.3	4·5	16·5	—2.1	—0.7	—6.3	0.3	—1.7
	III	5.0	1·9	13.3	—2.8	—0.6	—8.5	4.4	—1.7
	IV	4.4	—2.4	12.4	—5.7	—0.2	—5.6	—3.0	—0.8
1976:	I	—10.0	—1.7	13.7	—7.3	0.4	—4·3	2.4	—0.6
	II	—10.1	—1.0	12.9	—6.2	—2.5	—6.6	3.6	0.5
	III	—18.9	—6.1	13.8	—5.0	—0.6	—8.1	0.8	2.2
	IV	—19.2	—7.9	14.0	—7.1	—1.6	—6.5	1.7	0.4
1977:	I	—33.3	—4.1	15·3	—6·5	—2.7	—6.6	7·2	2.7
	II	—36.6	—2.6	17·0	—2.3	—3.4	—5.6	8.8	0.4
	III	—3.69	—1·8	14.6	—	—	0·1	10.0	2·0

*Seasonally adjusted annual rates. †Exports in f.o.b.and imports in c.i.f. unless otherwise stated. **Exports f.a.s. (freight alongside ship).
£For UK and Canada imports f.o.b.

Source: US Department of Commerce, *International Economic Indicators*; Vol III; No. 4; December 1977; P. 46.

g down the worth of the dollar vis-a-vis her currencies and gold. Although the al world of international currency tran-nctions involves several complexities ot included in the above presentation, it nould be essentially operative. In other ords, barring short-period disequilibria esulting from psychological or institution-l factors, the long-run decline in the alue of dollar could have been brought nly by a persistent deficit in the American alance of trade.

For most part of the seventies, the US has experienced substantial deficits in its balance of trade. Moreover, the magni-ude of the deficits has shown precipitous increase during this period. (Table II). The total size of the deficit in 1971 was only $ 4.8 billion. It rose to almost $15 billion in 1976. The deficit estimated for 1977 is well over $30 billion and the forecast for 1978 is around $40 billion. Thus, during the seven years between 1971 and 1977 the American trade deficits experienced a seven-fold increase.

accumulating surpluses

The situation in other industrialised countries has been substantially different. West Germany has been accumulating sizeable trade surpluses reaching the $15 billion mark in 1977, which represents a 300 per cent increase in surpluses over the 1971 surplus of $4 6 billion. Japan, the other major competitor of the United States, was confronted with small deficits following the oil price hikes of the early seventies. But, since 1975, Japan's balance of trade has shown an enormous recovery and it is estimated that it will show a surplus of over $10 billion in 1977. The balance of trade positions of France, Italy, Netherlands, and Canada are quite safe, in the sense that their short-run deficits and surpluses seem to offset each other. Even Britain, which accumulated substantial deficits in the mid-seventies, appears to have subsequently stabilised and possibly improved its export performance.

The weakening of the dollar is only a noticeable symptom of a continuing economic malady of the United States, viz., growing balance of trade deficits. Recent efforts by the central banks of the United States, W. Germany and Japan to "support" the dollar by intervention in the foreign exchange markets can at best produce only temporary results. These actions, however, entail a realisation that the American dollar is not strong enough to "cleanly float" in the world market. The real solution to the dollar's decline lies in detecting the underlying causes for trade deficits and applying remedial measures.

Several reasons have been attributed to the mounting deficits in American balance of trade. The most frequently heard factors are the high rate of growth of US economy, large oil import bills and inflation.

Since the oil embargo and consequent recession, policy makers in the United States have been anxious to ensure a fast pace of economic recovery. Therefore, the American economy has been having a more robust recovery than the rest of the industrialised world. In 1976, for example, the United States was the only industrialised country whose real GNP grew at a rate faster than the long-term average rate of growth.[2] From the available evidence one can easily conclude that the American recovery has maintained this position in 1977. The brisker rate of economic expansion implies a correspondingly rapid growth in domestic demand for goods and services entailing encouragement of imports and curbing the potential for exports. But the government is reluctant to apply brakes on the overheating economy for fear of pushing up the already unacceptable unemployment rates that have been hurting especially the minorities and urban poor. The preoccupation of the policy makers in W. Germany and Japan, on the contrary, has been with inflation, making it appropriate for them to keep rates of growth far below the potential rates. Naturally both turned a deaf ear to repeated US suggestions that they should accelerate their economies in order to rectify the balance of trade disequilibrium.

Undoubtedly, the preponderant factor behind the American trade gap is the quadrupling of petroleum product prices in this decade. All major commodity groups including agricultural products, fuel and manufactured goods had contributed toward the small US trade deficit in 1971. But in 1976 the picture was completely different with surpluses in all merchandise categories except fuels, thanks to the higher cost of imported oil.[3] Other oil importing countries too were placed in very uncomfortable positions by the pricing policies of the OPEC. All of them, however, adopted severe domestic programmes curbing the consumption of petroleum and keeping the oil import cost under control. But the American response to the energy crisis was irrational and out of step with the rest of the world. Neither the Nixon administration nor the Ford administration was willing to take the high political risks involved in pushing an unpopular, albeit necessary, energy pro-

Stabilising the Dollar

Despite the official US-German joint statement made on March 13 reaffirming that the two governments would continue to take forceful action "to counter disorderly conditions in exchange markets" and the doubling of the swap line between Bundesbank and the US Federal Reserve System, bringing the total of such swap lines between the Federal Reserve and 14 central banks and the Bank for International Settlements to $22,160 million, the US currency has continued to lose ground in foreign exchanges.

The US Commerce department's disclosure on March 21 that the US trade deficit had set a new record of $4.52 billion in February gave a severe jolt to the hope of the Carter administration that the trade deficit would contract gradually this year. For the first two months in this year the US trade account has been in the range of $6.89 billion as against $4.29 billion in the same period of last year, over the entire 12 months of which the US economy had toted up an aggregate deficit of the order of $26.5 billion. Following this adverse news, the dollar suffered heavy selling, until Bundesbank's intervention but its post-Smithsonian depreciation nevertheless widened on April 3, 6.50 per cent in terms of major currencies. Simultaneously, with the Bank of Japan keeping off the markets, the US dollar dropped below the Y 220-mark for the first time since the war. It touched Y 218.15 before closing slightly stronger at Y 218.20. This meant that the Yen had appreciated by 10 per cent in terms of the US dollar since the start of 1978.

gramme for this largest energy-consuming nation on earth.

The energy policy package sent by president Carter to the Congress for legislative action has been languishing on Capitol Hill for almost a year with no certainty regarding its future. Lobbies of big oil and auto industries are more powerful than ever and the fear of the political unpopularity of rising fuel costs still troubles the legislators. Consequently, there is no abatement of the swelling costs of oil imports (Table III). The value of imported oil in 1976 was $34.2 billion as against $3.6 billion in 1971. This exceeds the oil imports of any other country. The energy conservation programmes of the other industrialised nations are indeed highly correlated with their trouble-free balance of trade positions.

American competitiveness in international markets has been seriously curtailed by the high rates of inflation in the domestic economy. The present inflationary pressures have their roots in the proliferation of dollars to finance the war in Vietnam and social needs at home and the efforts to guarantee a complete recovery from the recent economic recession. In 1975-76, most of the West had higher rates of inflation than the United States (Table IV). But all of them have been able to check the inflationary pressures subsequently, leaving the United States with an inflation rate higher than most of the industrialised world by mid-1977. The predictions of an annual inflation rate of 6 to 6.5 per cent for 1978 shows that the trend is not going to be altered in the near future. The erosion of the value of the dollar at home due to inflation was bound to curb the dollar's purchasing power abroad.

Some effects of the weakening dollar in the domestic front are already obvious. American exports are priced cheaply in the foreign markets, thus suggesting the possibility of increasing export potential. Foreign goods are costlier in the US market, although this has not yet resulted in a substantial fall in the competitiveness of foreigners. The higher costs of imports, on the other hand, has begun to influence the cost structure of the American economy by adding to the uncomfortably high wage and price inflation.

On the international front, there are potentially more dangerous implications. The secretariat of the OPEC has been asserting that its members are losing between $10 billion and $20 billion a year in purchasing power on account of the declining value of the dollars they earn[4]. The dollar is used to price the oil exported by the 13 member organisation and they receive most of the payments in dollars. In response to the persistent weakness of

TABLE III

Imports of Petroleum by Industrialised Countries—Annual and Quarterly

Period	United States*	France	West Germany	Italy	Netherlands	United Kingdom	Japan	Canada
	Transaction Value f.a.s.	c.i.f.	c.i.f.	c.i.f.	c.i.f.	c.i.f.	c.i.f.	f.o.b.
	($ billion)							
1960	1.5	0.7	0.7	0.5	0.5	1.4	0.1	0.4
1969	2.6	1.6	2.0	1.6	0.9	2.1	2.3	0.6
1970	2.8	1.9	2.3	1.9	1.3	2.2	2.8	0.6
1971	3.6	2.4	3.2	2.4	1.8	2.9	3.6	0.7
1972	4.6	3.0	3.3	2.6	2.1	2.9	4.5	0.9
1973	8.1	3.9	5.7	3.6	3.0	4.1	6.7	1.2
1974	26.1	10.8	12.5	10.4	5.6	10.6	21.1	3.1
1975	26.6	11.0	11.8	9.3	5.8	9.3	21.0	3.5
1976	34.2	13.3	14.0	10.2	7.3	10.0	23.3	3.5
1975: I	6.9	2.9	2.6	2.1	1.4	2.5	5.3	1.0
II	5.8	2.7	3.0	2.1	1.4	2.3	4.9	1.0
III	7.0	2.5	3.0	2.3	1.5	2.1	5.1	0.8
IV	7.0	3.0	3.3	2.8	1.5	2.3	5.8	0.7
1976: I	7.9	3.3	3.1	2.2	1.7	2.7	5.6	1.0
II	7.8	3.0	3.3	2.6	1.9	2.4	5.7	1.0
III	9.1	3.3	3.8	2.5	1.7	2.4	5.9	0.8
IV	9.3	3.6	3.7	2.8	2.0	2.4	6.1	0.7
1977: I	11.5	3.6	3.5	2.6	2.4	2.4	6.6	0.8
II	11.3		3.6			2.3	6.1	0.8
III	11.0							
IV								

*Includes crude petroleum imports into the Virgin Islands, most of which are refined and sent to the United Statee, but are not in US import statistics because the Virgin Islands are not part of the US customs area, and US trade with this (or any other) possession is not included in the US foreign trade data.

Source: US Department of Commerce, *International Economic Indicators*; Vol. III; No. 4; December 1977; P. 62

the dollar new pressures have been building within the OPEC for a switch to a new mechanism or currency for pricing oil or, alternatively, for an increase in the dollar price to compensate the producers for losses in oil revenues.[5]

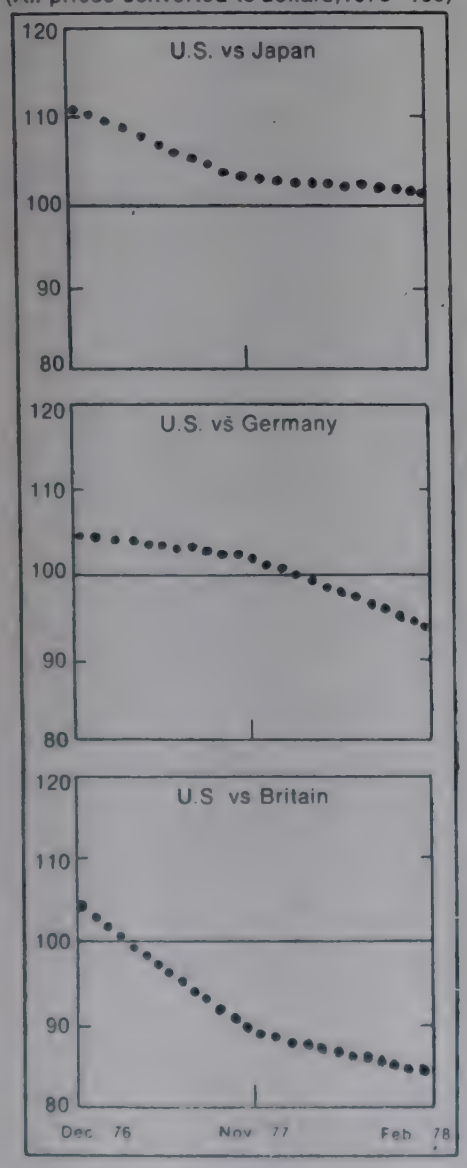
Search for a different accounting mechanism that will guarantee stability to the oil income of OPEC nations is by no means new. A few years ago OPEC had agreed to substitute a basket or group of currencies for the dollar for oil pricing, but the scheme was never implemented. The OPEC had given specific consideration to the feasibility of denominating oil prices in terms of the International Monetary Fund's Special Drawing Rights (SDRs). Although the SDR was created in the sixties primarily to augment the critical supplies of international reserves, there is no reason why it canont be used as a unit of measurement in international transactions. In fact, the basket method used by the IMF to determine the value of the SDR makes it a perfectly feasible unit of account. Since 1974 the daily value of the SDR has been computed as a weighted average of the US dollar values of 16 currencies.[6] Naturally, the value of the SDR in terms of any one currency fluctuates less than the exchange rates between currencies. The SDRs, however, cannot be used as a means of payment because of their very limited supply and the constraint that only governments and central banks of the member nations of the IMF are authorised to deal in them.[7]

Other similar proposals have begun to draw the attention of experts in international financial relations. Recently the United Arab Emirates' oil minister has suggested a new three part crude oil pricing system.[8] Under this plan, 70 per cent of the pricing mechanism would be based on the US dollar, the German mark, the British pound, the French franc, the Japanese yen and the Canadian dollar. The second part, weighted 20 per cent would be based on a basket of stronger mideast currencies including Saudi riyal. The remaining 10 per cent will be based on gold.

An OPEC action on altering the oil pricing mechanism is not imminent, but if the dollar continues to slide, it will eventually increase the number of OPEC members who are willing to abandon the dollar and precipitate a decisive action. Kuwait, claiming that its revenue loss due to dollar depreciation is $1 million a day, has become the leader of a growing alarmist group within OPEC. Qatar has changed its position on oil pricing since the Caracas meeting of OPEC. Early in March the Oil minister of Qatar joined the Kuwaities and called for the replacement of the US dollar in oil pricing. The new three part pricing proposal by the

Purchasing-Power Parity Theory and the Dollar

U.S. export prices relative to foreign export prices
(All prices converted to dollars, 1973=100)



According to the purchasing-power parity (PPP) theory, exchange rates tend to move with changes in relative domestic price levels. If prices in country A increase by 10 per cent relative to prices in country B, the price of country B's currency in terms of country A's currency will also increase by 10 per cent. Pointing out the weaknesses of this theory is a standard classroom exercise for students of international finance. Suffice it to say that foreign exchange is supplied and demanded for many other reasons than the international exchange of goods and services. Dollars and other currencies are also desired as assets, and shifts in portfolio demand for one currency as opposed to another help explain why exchange rates and prices need not track closely in the short run.

Over the longer run, however, the purchasing-power parity theory does tend to work reasonably well. Given the current debate between the foreign exchange markets and monetary authorities over the appropriate value of the dollar, it is interesting to examine what a purchasing-power parity theorist might conclude about the current structure of exchange rates.

Unfortunately, it is nearly impossible to agree on the best way to apply the PPP argument. The two key problems are what period to use as a base and which price indexes to employ. For purposes of this examination the year 1973 is taken as the base. The US trade account was roughly in balance that year, and our current account showed its historic surplus. The question of price indexes is more difficult. The calculations represented by the accompanying chart are based on unit-value export price indexes for each of the countries involved. These numbers are treacherous, but so are the alternatives.

Given these assumptions, the PPP theorist would argue that the dollar was overvalued against the three currencies examined in December 1976. In each case the US export prices had increased more than foreign export prices (adjusted for exchange-rate changes) since the base period. Given the subsequent depreciation of the dollar against these currencies, this same theorist would conclude that at the end of February of this year the dollar was just about right with respect to the yen, but undervalued with respect to the DM and sterling. In short, PPP theory argues for a rebound of the dollar. The problem is that the theory doesn't say when.

Courtesy : Chase International Finance

UAE indicates the abandonment of its earlier practice of following Saudi Arabian thinking on oil-related matters and the withdrawal of its support for the dollar. In the case of Venezuela, the impact of dollar depreciation is compounded by a fall in production by an estimated 1.7 million barrels a day calling for cuts in 1978 government budgets by an equivalent of $465 million. Nevertheless, to compensate the losses, they prefer an upward revision of prices to an alternative pricing system. The African producers—Libya, Algeria and Nigeria—as well as Iraq, the radical member of OPEC, have been seeking a price boost to offset the erosion of the dollar's purchasing power.

In contrast, Saudi Arabia, which is the major producer in the OPEC, has been advocating a freeze on crude oil prices and the continued use of the dollar for oil pricing. Of course, the Saudis would lose substantially from an abandonment of the dollar because of their huge dollar reserves the size of which has not been officially estimated in the US. Yet, there is growing apprehension that Saudi Arabia may change its crucial position if the Saudi efforts to purchase sixty F15 fighter planes in the US is frustrated. President Carter has recommended to the Congress the highly controversial sale of planes to Saudi Arabia in a package arms sale proposal that includes aircraft for Egypt and Israel.[9]

The recent sluggishness in demand for oil and a projected oil glut on the one hand and American assurances on future government action to stabilise the dollar's worth on the other brought about a change in the traditional stance of Iran when it supported the Saudi proposal for a price freeze for 1978. Iran's falling oil production and revenue losses could prompt some future rethinking on this subject. Moreover, the slide of the dollar against the German mark has been an additional source of worry for Iran because of the large Iranian investments and business interests in West Germany.

The crucial question is how long will the OPEC countries tolerate payments in weak dollars. If and when they respond to the dollar's decline it would hurt the entire world economy, especially the small and developing nations. The initial actions of the OPEC in the early seventies generated dramatic changes in the world economy, including changes in the relative values of various currencies, which in turn is now threatening to warrant new action by the OPEC and thus to complete the circle.

Regardless of what the OPEC might do, some undesirable consequences of the dollar's decline have already surfaced. The shrinking dollar has been curtailing the profitability of exports of several countries such as W. Germany and Japan, and as a result, a general slowdown in international growth rates is feared. Protectionist policies are becoming more acceptable and in national economic relations are experie ing severe strains.[10] The Japanese, example, resent what they believe to an American attitude of encourag violations of the rules of the game "controlled floating" and thus prejudic the international monetary order. Ma trading partners of the US hold that abandoning of the dollar to market for is an "American version of exporti unemployment" and if other countr follow this example, there will be chao conditions on the international scene The Americans, they argue, with a sm contribution of exports to GNP (7 p cent in 1976) do not seem to realise t extent to which smaller countries depe on export trade. The Federal Republ of Germany, for example, has an expo sector contributing 23 per cent of i GNP. All of them agree that the Unite States consumes too much energy at to low prices and that, until serious step are taken to conserve energy, America trade deficits and the shakiness of th dollar will continue.

On their part, the US officials are irrita ed by the failure of surplus nations, espec ally Japan, to take effective measures t reduce their trade surpluses. The concer of these countries is primarily due to th fear that American competitiveness wi catch up with theirs if the dollar i depreciated further and eventually lesse their trade surpluses with the Unite

TABLE IV

Rates of Changes in Wholesale Prices for Industrialised Nations—All Commodities

Country	Annual percentage changes			Quarterly percentage changes				
				1976		IV/76	1977	
	1973-74	1974-75	1975-76	II-III	III-IV	1/77	I-II	II-III*
United States	18.9	9.2	4.6	1.2	0.9	2.2	2.5	0.1
France	23.6	1.0	10·3	3.8	2.2	1.4	1.6	
Germany, West	14.9	7.0	5.4	0.4	—0.4	0.4	0.4	—1.3
Italy	40.8	8.6	22.9	3.4	6.6	4.3	1.7	
Netherlands	14.0	6.9	15.8	—1.9	—0.8			
Japan	31.3	3.0	5.5	1.9	0.8	0.4	0.1	—0·5
Canada	22.4	6.5	4.3	0.2	0.7	4·9	3.1	0.5

*Percentage for Canada is based on two-month average.

Source: US Department of Commerce, *International Economic Indicators*; Vol. III; No 4; December 1977; P. 23

tes. It is not difficult to see the incon-ency in their argument which, on the hand, suggests that the United States uld stabilise the value of the dollar l, on the other, refuses to let their de surpluses be curtailed. This may come a prelude to further deterioration economic cooperation among indus-alised nations.

There is an increasing awareness of the t that the American dollar is still the ost important currency in the world and at confidence in the dollar is imperative the present international monetary der is to survive. It is also becoming ear that the dollar's depreciation alone ll not eliminate the trade deficits of the nited States, thereby rendering ineffective e policies of "cleanly floating" as well "controlled floating".[12] Obviously her remedial measures are required to vive the confidence of the market in e dollar. The role of US domestic olicies is paramount in saving the dollar. he government has already shown some anges in its thinking. The basic thrust the policy is now shifting towards the active encouragement of exports as a means of holding down trade deficits, rather than waiting for the currency exchange rates to work things out. The Federal Reserve Board is exerting relentless pressure on the administration to conserve energy and combat inflation. Government economists are preparing an anti-inflation programme which may become effective some time in the second quarter of 1978.

There are also indications that, if the Congress fails to produce an energy legislation soon, some "executive action" might be forthcoming to impose either import fees, possibly to the tune of $6 per barrel of imported oil, or import quotas on crude oil imports. Although such a step would be inflationary, it is amply justified in terms of the long-term interests of the economy. However, details of the projected American policies to encourage exports, check inflation and conserve energy are not yet available.

Only increased international cooperation can bring about a genuine stability of the dollar and ensure continuity in the international economy. The weakness of the dollar has already strained relations among industrialised countries. A recent meeting of the Economic Planning Committee of the 24 nation Organisation for Economic Cooperation and Development (OECD) could not agree upon any specific plan to tackle the deteriorating situation. Therefore, the burden on the OECD ministerial level meeting in June and the proposed OECD economic summit in July is indeed vexatious. Discontentment is simmering among OPEC members about the plight of the dollar, but this time it will be hard for them to come up with an agreeable formula to offset their revenue losses. The variations in the destinations of their exports, the nature and size of foreign currency reserves. and the geographical distribution of foreign business relations have already crystallised divergences in their interests with respect to action on the dollar pricing of petroleum. All these strident disenchantment and manifest selfishness among nations are the products of an ailing dollar; and the recovery of the dollar warrants just the opposite—a spirit of conciliation, several acts of compromises and overall cooperation among nations.

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MOVING FINGER

Mr Desai, no doubt, has decided views on who should fill which office. This is no weakness in him, especially as even lesser men—including us, the journalist folk—share in it. Speaking in Ahmedabad the other day, the prime minister reportedly said that experts should not be allotted important portfolios, including Finance, if economic progress were to be made. Mr Desai, as he himself has it, is no economic expert. Mr Desai—again, according to him—is the best Finance minister this country has had. But, then, where do we go from here? More specifically, is it the case that Mr H.M. Patel is no economic expert? Or, could it be that the prime minister now thinks that he made a mistake when he gave the Finance portfolio to one who is an economic expert? It is possible, of course, that Mr Desai, who is about as good at light-hearted banter, as an elephant may be at executing a *Kathak* number, was merely trying to be amusing. But, then, disillusionment with the performance of Mr Patel at the Finance ministry is so real and extensive in the country that more meaning might be read in Mr Desai's remark than he might perhaps have intended.

Talking of the Finance ministry, I must warn my readers that a budget speech seldom tells the whole story. It is always necessary to read the fine print of the tax laws. For instance, the CDS (Income-tax Payers) Act, 1974, lays down that compulsory deposits shall carry simple interest at a rate equal to the "bank deposit rate", meaning the highest of the maximum rates at which interest may be paid on different classes of deposits by different classes of scheduled banks in accordance with the directions given by the Reserve Bank from time to time. Those income-tax payers paying compulsory deposits, who might have naively assumed that they were entitled to a rate of 10 per cent for the duration of the deposits, should have had a shock in the week following April Fool's Day this year. Thanks to the recent lowering of interest rates on certain classes of bank deposits, the rate of interest applicable to the compulsory deposits made by income-tax payers has come down to nine per cent with effect from March 1, 1978.

Mr Y. B. Chavan has acted many parts during his long public life and his latest role is the acting presidentship of the Swaran Congress during the period Mr Swaran Singh is on leave of absence, visiting friends and relatives in foreign countries. Beggars cannot be choosers and, having just lost the position, along with the perquisites and privileges, of the official leader of the opposition in Lok Sabha, Mr Chavan obviously has to take whatever comes his way. His problem is that nothing much seems to be coming his way, at least for the present. It has been reported that, although the Indira Congress could do with all the defectors it can borrow or steal, it will not allow Mr Chavan and Dr Karan Singh to work their way into its fold even as penitents. Under happier circumstances this ostracism would have been a compliment to these two worthies, but now it only emphasizes their political inconsequence.

The Indira Congress has now become the main opposition in Lok Sabha and has thus established its precedence over the rival Congress in both houses. It is, however, still very much in its waxing phase. Party politics are in a state of flux and it is clear that only an artificial stability could be brought about by hindering the processes of ferment in working themselves out. It seems to me, therefore, that, however much one may deplore defection as a feature of the party system of government, it may not be wise to legislate against it in the special circumstances now prevailing. Political stability cannot be established by law even under favourable circumstances. Right now th tensions are so close to the surface that is just not statesmanship to try to bott them up by passing an act of parliamen On the contrary, for the sake of th democratic process itself, it is best t allow the regrouping of political partie so that the power structure is rid of it ambiguity and artificiality. It is just too bad that this kind of development migh favour the Indira Congress in the matte of further recruits, especially if the Janata party continues to mismanage its affairs in UP. But the ruling party may also reap some benefit, if only because a sharp shake-up might re-assemble it into a somewhat more cohesive political force.

The new official leader of the opposition in Lok Sabha, Mr C. M. Stephen, is tailor-made for the job. He is articulate and aggressive, unafraid to strike as well as willing to wound. A fellow journalist (who, like most journalists, has a low opinion of his fellowmen), claiming to close knowledge of Mr Stephen as a fellow-Keralite, tells me that Mrs Gandhi's chief spokesman in Lok Sabha is a slick operator. But I have a feeling that Mrs Gandhi need not worry for the time being about Mr Stephen's continuing loyalty. Currently, at any rate, feelings are running high in some sections of the Janata party against the entry of Congressmen identified too closely with Mrs Gandhi. In any case, Mr Stephen cannot hope for ministership even if he is admitted into the ruling party, whereas, as the leader of the opposition, he could enjoy a minister's emoluments, privileges and perquisites.

Mr Stephen, of course, is a Christian, but I do not think that this has anything to do with Mrs Gandhi choosing him to lead her party in Lok Sabha. Unfortunately this cannot be said of the considerations which have reportedly weighed with the prime minister in picking some of the persons who are being given the nominated membership of Rajya Sabha. Mr Morarji Desai, it appears, thinks it necessary and proper to give representation to minority communities in this case, although this does not seem to be a principle recognised for this particular purpose. However this matter is too trivial to be debated at length.

VB

TRADE WINDS

Blanket Exchange Permits

IN ORDER to encourage smaller exporters to avail of blanket permit facilities for travel abroad on export promotion grounds, the Reserve Bank has reduced the current minimum annual export turnover limits for issue of blanket exchange permits from Rs 15 lakhs to Rs 10 lakhs for 'Select List' goods (i.e. non-traditional goods) and from Rs 75 lakhs to Rs 50 lakhs for other goods. Construction companies and firms will be eligible to obtain blanket exchange facility if their net annual foreign exchange repatriation from overseas contracts is not less than Rs 10 lakhs. The Reserve Bank has also raised the minimum foreign exchange allotment to exporters under the Blanket Permit Scheme from Rs 40,000 to Rs 75,000.

Joint Sector Projects in MP

Collaboration agreements for three out of six joint sector projects recently approved by the Madhya Pradesh government were signed in New Delhi recently. The total estimated cost of these six projects, which are the results of the state government's liberal industrial policy, is about Rs 18 crores. The agreements were signed on behalf of the MP State Industries Corporation by its chairman and managing director, Mr M.K. Chaturvedi with P.N.B. Finance Ltd, New Delhi for calcium carbide and with Triveni Engineering Works, New Delhi for sugar unit and alloy steel castings.

The project for manufacturing of calcium carbide is estimated to cost about Rs 5 crores and will be located in Panna district—a backward district of Madhya Pradesh. Calcium carbide is used for production of acetylene gas and many chemicals. The annual production capacity of the plant will be 15,000 tonnes and will provide employment to 750 persons. Its annual turnover would be of about Rs 4 crores. This plant will go a long way in meeting the increasing demand of calcium carbide in the country.

Sugar Unit

The sugar unit would be set up in Narsinghpur district in collaboration with the Triveni Engineering Works. This project is estimated to cost about Rs 6.5 crores and will have the initial crushing capacity of 1,250 tonnes of sugarcane per day which will be increased to 2,000 tonnes later on. It will create employment for 1,000 persons in the district.

The alloy steel casting project would be set up at Bilaspur in collaboration with Triveni Engineering Works. It will have an investment of over Rs 2 crores and will create jobs for 350 persons. The MP State Industries Corporation had recently signed in Bhopal collaboration agreements for two joint sector projects. One of the projects is for the manufacture of malathion technical —a pesticide and the other for the manufacture of polypropylene film. Both projects will be located at Vidisha and will be in collaboration with the United Builders Construction (India) Pvt Ltd, New Delhi.

Commodity Loan from West Germany

India will get a commodity loan of Rs 28 crores (DM 70 million) from Federal Republic of Germany for the year 1978-79. An agreement to this effect was signed recently by Dr Dirk Oncken, the Ambassador of the FRG, and Dr Manmohan Singh, secretary, department of Economic Affairs, on behalf of their respective governments. The loan will be used principally for the imports of industrial equipment, spare parts and accessories as also other semi-manufactures required by the Indian industry. This loan carries an interest rate of 0.75 per cent and a grant element of 83 per cent. It will have a maturity of 50 years including a grace period of 10 years. This agreement for the commodity loan tranche for 1978-79, has been signed in advance of the inter-governmental negotiations between the two countries, scheduled to take place in June, 1978. This will ensure the speedier utilisation of funds under this tranche.

Relaxations in 'P' Form Rules

The Reserve Bank has made further relaxations in its 'P' form rules. These are as follows: (1) First cousin has been added to the list of approved relatives on whose hospitality travellers from India will be permitted to travel abroad; (2) Under the friends hospitality scheme, the bank will grant passage clearance even if the traveller has received a prepaid ticket advice for travel both ways on any carrier: hitherto the passage money was required to be remitted to India through banking channels; (3) Persons intending to undergo studies abroad against financial support extended by distant relatives or friends will also be given passage clearance; only students going abroad for higher studies on the financial guarantee of their close relatives abroad are granted 'P' form clearance at present; (4) Persons proceeding abroad on the hospitality of close relatives for short visits will be given 'P' form clearance on the basis of affidavits sworn by them locally. The practice of calling for affidavits from overseas hosts has been discontinued. The form of affidavit has been circulated to all airline/shipping companies and travel agents. Sponsorship declarations from overseas hosts will, however, continue to be accepted by the bank upto the end of June, 1978.

IDA Credit for Karnataka

The International Development Association (IDA), an affiliate of the World Bank, announced recently the approval of a credit of US$ 126 million to help finance construction of irrigation works and command area development in Karnataka state. The objective of the US$ 284.4 million project is to increase agricultural production, improve farm incomes, and to provide employment for small farmers and landless labourers, within the three major irrigation schemes, the Upper Krishna, the Malaprabha and the Ghataprabha, presently under construction in north eastern Karnataka. The project includes the completion of construction of two dams

and associated canals, land development, village roads and the provision of agricultural supporting services.

At full development in 2000, the project will help to increase food production by 765,000 tonnes and other crops by 230,000 tonnes per year. The value of the increased production will be US$ 211 million a year. About 83,000 new full-time jobs for on-farm work would be created. In addition, about 60,000 non-farm employment opportunities would be generated. Net farm incomes on the average are expected to triple and reach an estimated US$ 2,013 per year for the median four hectare farm. The IDA credit to India is for 50 years, including 10 years of grace. It is interest free, except for a service charge of 3/4 of one per cent to meet IDA's administrative costs.

DA in Cash

Finance minister, Mr H.M. Patel announced in Lok Sabha on April 14, that the additional sixth instalment of dearness allowance should be paid to the employees in cash. The representatives of the government staff had indicated that they would consider investment of a portion of the DA in National Development Bonds provided the government was agreeable to some major changes in the formula itself including increase in the percentage of the neutralisation by half a per cent and merger of pay and DA upto 272 points at least for the purposes of calculating gratuity and retirement benefits. Government had expressed its inability to link up these broader issues. However, the entire question of wages and incomes is under the government's consideration. In these circumstances the government has decided that the additional instalment of dearness allowance should be paid to the employees in cash.

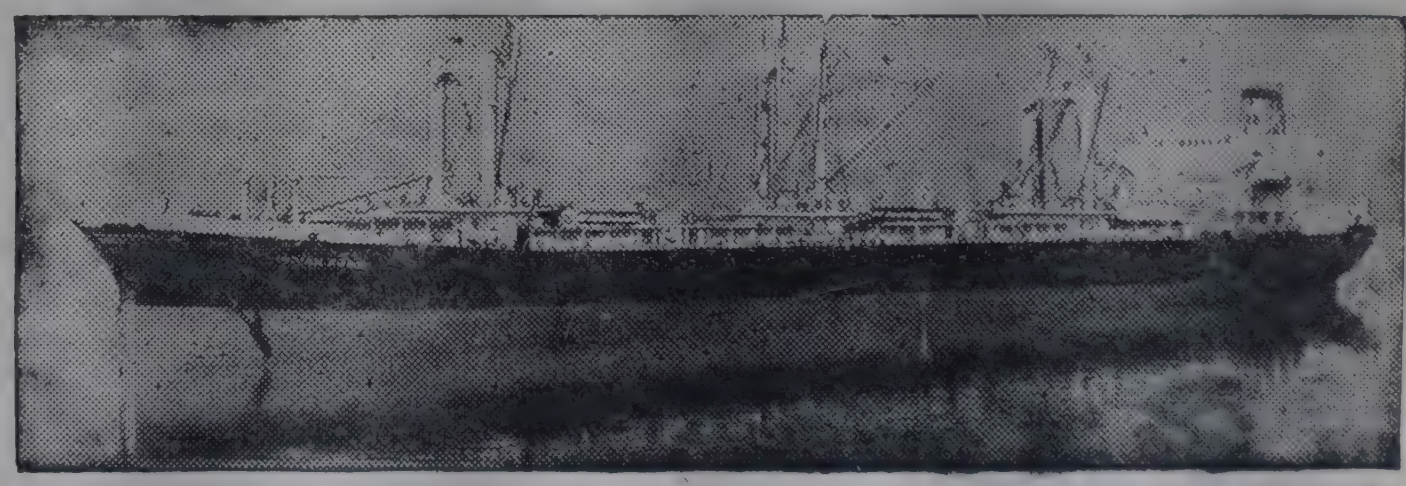
Integrated Rural Development

The Integrated Rural Development programme was restructured and made area-based with the objectives of: (a) growth and production; (b) benefits to the identified target groups in the 'disadvantaged sections' of the rural community; and (c) full employment within a certain time frame. According to the annual report for 1977-78 of the department of Rural Development, ministry of Agriculture and Irrigation, the year under review also showed marked progress in involving the business and industrial/commercial houses in rural development work. The rural area was defined as illustrative rural development projects for consideration of the business houses. The chief objective was the socio-economic development of the rural community. A new provision in the Income Tax Act was being made to enable expenditure on rural development to be deducted while computing taxable income of a company or a cooperative society.

The new programme started during the year were 'Desert Development', 'Rural Link Roads' and 'Food for Work'. Desert Development covers both hot and cold deserts for control and development of desert. The other two programmes of Rural Link Roads and Food for Work had generated considerable enthusiasm in the states. These are contributing significantly to the strengthening of the rural infrastructure. The report adds that the department of Rural Development would discharge the nodal functions for rural development. The government recognising the important role of the three-tier system of Panchayati Raj, had set up a high powered committee under the chairmanship of Ashoka Mehta in Decem 1977 to enquire into the wo ing of Panchayati Raj insti tions and suggest various m sures to strengthen these. T committee is expected to con lete its inquiry and submit report within a period of months. It may submit interim report, if it consid necessary or is required to so by the government.

Indian Exhibitors in German Fairs

During the first three mont of the current year as many 35 Indian exhibitors took pa in seven German trade fai Most favoured was the Inte national. Hardware Fa Cologne, with 22 Indian exhi tors, followed by IGED Duesseldorf and Inhorgent Munich with four each. Du ing the full year 1977, 3 Indian exhibitors took part 22 German trade fairs, the the International Men Fashion Week in Cologne (au



FOREVER AT THE SERVICE OF OUR COUNTRY AT HOME & ABROAD

Services :
INDIA—U. K. & THE CONTINENT
INDIA/BANGLADESH
INDIA—BLACK SEA & E. MEDITERRANEAN PORTS.
INDIA—POLAND AND INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE ST., CALCUTTA-1.

nn event) was leading with Indian exhibitors. All the ove mentioned fairs are resented in India by the Indo-erman Chamber of Com-erce.

ndo-EEC Trade

During 1976-77, for the first me in Indo-EEC trade relaons, India exported more to EC than it bought from EEC. ndo-EEC trade closed with a rade surplus for India of the mount of Rs 377 crores. This avourable trade balance is the esult of a 56 per cent increase n India's exports to EEC durng the year 1976-77 and a decrease of nine per cent regarding Indian imports from EEC. The total Indo-EEC trade volume was, in 1976-77, of the amount of Rs 2,282 crores out of which Rs 1,330 crores accounts for Indian exports to EEC.

EEC was in 1976-77 the main buyer of Indian goods, followed by the USA and Japan.

Free Trade Zone Near Colombo

Within the Greater Colombo Economic Commission's area of authority there will be demarcated several investment promotion zones. The first such investment promotion zone will be sited at Katunayake, adjacent to Sri Lanka's international airport. This IPZ is approximately 600 acres in extent and is located approximately 18 miles from the port of Colombo. Sites in this IPZ will be allocated to investors on a 99 year lease basis on the payment of an initial premium plus an nominal quit rent.

The Greater Colombo Economic Commission would be providing adequate and modern infrastructure facilities in this area. These would include an air cargo terminal, a container marshalling yard for sea going containers, rapid telecommunication system and special banking area. The air cargo terminal and the container marshalling yard would be operated by the commission. This investment promotion zone would be supplied with water, power and sophisticated telephone and telex services. The area of the IPZ would be situated in a highly developed and populated area with road, rail and air communication in close proximity and first class hotels and housing accommodation within easy reach. Investment incentives will be given on a graded scale. The tax incentives will also be offered to licensed enterprises within the area of authority.

Women Entrepreneurs Meet

A workshop on self-employment amongst women has been organised together with the annual conference of the Women's Wing of National Alliance of Young Entrepreurs (NAYE) in collaboration with the Innerwheel Club of Delhi Central. The workshop will be held on April 25, 1978 at Institution of Engineer's Hall, Bahadur Shah Zafar Marg, New Delhi. The conference will be inaugurated by Mrs Abha Maiti, minister of state for Industry.

ADB Bonds

The Asian Development Bank announced recently the sale of two-year bond totalling US$70 million to 26 of the bank's member countries. The bonds, known as "ADB Two-Year Bonds of 1978, due April 1, 1980", were sold at par. They bear interest at 7.80 per cent per annum payable semi-aunually on April 1 and October 1, in each year, the first payment to be made on October 1, 1978. The bonds have been purchased by the central banks and government agencies of regional and non-regional members. The aggregate principal amount of the bonds represents an increase of US$20 million over the aggregate principal amount of US$50 million of ADB Two-Year Bonds of 1976, which matured on April 1, 1978.

Fire Prevention for Rural Houses

The Housing and Urban Development Corporation (HUDCO), in consultation with the Central Building Research Institute, is in the advanced stages of evolving an inexpensive material which would act as a fire retardant in rural houses. A basic characteristic of rural houses is that their walls and even roofs are predominantly made of grass, reeds, bamboos, thatch or unburnt bricks. As a consequence, the incidence of village fires is alarmingly high. And out of the 93 million housing units in India, some 80 per cent are in rural areas which means that a vast majority of houses in the country are fire-prone. Since a conventional *pacca* wall or roof is out of reach of the poor people, HUDCO has been exploring the possibility of some fire retardant treatment to roof and wall material. In this regard, a series of meetings with experts of national and voluntary agencies has been held.

Madurai-Colombo Microwave Link

A top-level delegation of telecommunication engineers from Sri Lanka came to New Delhi for final talks on the proposed wide band microwave system between India and Sri Lanka for providing higher grade telephone circuits. The scheme which is expected to cost more than Rs 4 crores, will link Madurai and Colombo via Rameswaram. The central government is financing for the link under the 'Aid for Technical and Economic Co-operation with developing countries'. The work is expected to be completed by the middle of next year.

Mr C.J. Serasinghe, secretary, ministry of Communications, Sri Lanka government was leading the Sri Lanka delegation for the talks. The government of India was represented by Mr J. A. Dave, secretary, Communications and Mr K.D. Vaidya, member, Telecom Development, P & T Board. The microwave system, with a capacity of 1,800 telephone channels will be installalled between Madurai and Colombo. The microwave towers will be supplied by the

DIRECTORATE OF PURCHASE AND STORES
Corrigendum

No. DPS:NAPP:PPED:FAB: 46. The Director has extended the last date for receipt and opening of tenders from 18-4-78 to 2-5-78 for Design, preparation of shop drawings, manufacture, inspection, shop testing, supply, guarantee and delivery to Narora Atomic Power Project Site, Narora of Moderator Heat Exchangers as per purchaser's tender documents. Tender documents may be had @ Rs. 300/- from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Bldg., Palton Road, Bombay-400001. Other details remain same.

davp645(27)/78

Telecom Factory at Jabalpur. The main microwave equipment, now under manufacture at the Indian Telephone Industries, Bangalore, is almost ready and will be shipped for installation in Colambo. Both the microwave and multiplexing equipment, that will be fitted into the tele-link, are the most modern.

The link in Sri Lanka territory will cover a distance of 398 km and will cost Re 2.56 crores. The 167 km link between Madurai and Rameswaram will cost cost Rs 1.53 crores. Labour and other work charges for the installation will be borne by the respective governments. Engineers from both the countries will carry out the final operating tests at Colombo, Madurai and Rameswaram after the equipment is installed. There will be twelve microwave stations in Sri Lanka territory and five on the Indian side.

New Cement Plants

The Industry minister, Mr George Fernandes, informed the Lok Sabha recently that 27 cement plants—14 in the public sector and 13 in the private sector—would go into production during the next three years.

The public sector plants would have a total capacity of six million tonnes and the private sector four million tonnes, he added.

With the coming up of these plants and fuller utilisation of the capacities of the existing plants, he expected the cement position to ease considerably in the next two or three years.

The present shortage, Mr Fernandes stated was due to the failure to add to the installed capacity during the last two or three years. In 1976-77, the installed capacity in the cement industry was only 21.67 million tonnes whereas the country required creation of additional two million tonnes capacity. The same was the position in 1977-78 also.

The Industry minister informed the House that his ministry had prepared a perspective plan for the next five to seven years to ensure proper growth of the industry. Despite power shortage, Mr Fernandes said, 100 per cent capacity utilisation in the cement industry was achieved in March this year.

Export of Hand Tools

With the objective of assessing the market potential for selected products in selected markets, the Trade Development Authority had undertaken a market study for hand tools and hardware in Federal Republic of Germany, France, the UK and Canada, with the assistance of International Trade Centre, Geneva and Swedish International Development Authority, Stockholm. The report broadly covers major findings and recommendations, export potential for selected products in each of the markets, covering packaging, channels of distributions, pricing and mark-ups, import duties, GSP and buyers profiles etc. Copies of the report are available with this authority for sale at Rs 13 (inclusive of Rs 3 for packing and forwarding) and may be procured by remitting the amount by IPO/DD drawn in favour of the Secretary, Trade Developement Authority.

Names in the News

Mr N.C. Chaudhuri has taken over as the managing director of the Britannia Biscuit Co Ltd, from April 1, 1978. He is the first Indian managing director of the company. Mr Chaudhuri joined the Britannia Biscuit Co Ltd, as assistant secretary in 1964.

Mr N. C. Chaudhuri

He was appointed company secretary in 1965, secretary and head of finance division in 1968, finance director and secretary in 1969 and finance director and head of seafood division in 1975.

The president has nominated **Mr Pandurang Dharmaji Jadhav, Mrs Fathema Ismail, Mr Bhagwati Charan Varma** and **Dr Malcolm Sathianathan Adiseshiah** as members of the Rajya Sabha. They will fill the seats of the four nominated members of the Rajya Sabha who retired on April 2, 1978, on the expiration of their terms of office.

Readers' Roundtable

Effects of Interest Tax Withdrawal

Sir, The views expressed by Mr R. L. Khosla on 'Effects of Interest-Tax Withdrawal' under Readers' Roundtable in your issue dated April 7, 1978 do not appeal to me since he has not taken into account the complete scheme of the withdrawal of the interest tax levy and has unnecessarily criticised the budget proposals.

Mr Khosla's argument is that since the interest tax payable by a bank is allowed as a deduction while computing its total income for tax assessment purposes under the Income Tax Act, 1961, the withdrawal of the interest tax levy (estimated to be Rs 108 crores) will amount to a rise in income tax collections for reasons of there being no deduction of interest tax charge etc., with respect thereto in computation of taxable income under the Income Tax Act. The tax revenue gain on this account may be estimated at more than Rs 60 crores (58 per cent of Rs 108 crores). He complains that this aspect does not find any mention in the Finance minister's speech.

Mr. Khosla has not taken into account the other aspect of the withdrawal of the interest tax levy. He does not seem to be aware of the fact that the commercial banks have to pass on the benefit resulting from the abolition of the seven per cent tax on interest income to their borrowers in the shape of a cut in the lending rates on advances ranging from one per cent and $2\frac{1}{2}$ per cent.

In view of the above, it is clear that the decrease in interest income on account of the decrease in lending rates will be more than the levy of the interest tax. Hence, contrary to the claim of Mr. Khosla, there will be no rise in the income tax collections for reasons of there being no interest tax charge. On the other hand, there is a possibility of decrease in income tax collections from this aspect.

New Delhi — Amarjit Singh
April 14, 1978

Indian Overseas Bank
Directors' Report, 1977

1977 was yet another year of impressive growth for Indian Overseas Bank. We are happy to report that the budgetary goals set in respect of key parameters were hit and in many sectors surpassed.

Prime indicators depicting the progress of the Bank are :

	1973	1974	1975	1976	1977	Growth 1977 over 1976 (%)
			(Rs. Crores)			
Capital & Reserve Funds	2.55	2.89	5.04	7.52	9.74	29.5
Deposits and other accounts in India and abroad	209.70	249.26	328.74	469.53	654.89	39.5
Advances in India and abroad	137.37	163.67	224.18	327.88	422.91	29.0
Deposits in India*	183.80	222.50	296.00	408.9	566,55	38.5
Advances in India	122.20	149.60	203.90	292.70	359.62	22.9
Investments in India	58.26	75.99	95.41	130.51	177.78	36.2
Net Profit	0.66	1.11	1.63	3.07	3.61	17.6
No. of branches	387	433	500	576	665	15.5

*i.e. aggregate deposits from the public

Deposit Mobilisation :

The Bank's deposits and other accounts in India and abroad registered an all-time increase of Rs. 185.4 crores (or 39½%) exceeding the budgeted goal of Rs. 165.5 crores.

In India, aggregate deposits (exclusive of inter-bank and other liabilities not in the nature of deposits from the public) rose significantly by Rs. 157.6 crores against Rs. 112.9 crores in the preceding year. The growth rate at 38½% is well above the national average of 21%. The Bank maintained its lead over other public sector banks in rate of deposit accretion for the third consecutive year.

Profits :

Notwithstanding the lowering of lending rates in India covering various priority categories and term finance and the shift in customer preference to high interest earning longer term deposits, profits after tax reached a new high at Rs. 361 lakhs in 1977 against Rs. 307 lakhs in 1976.

Assistance to Priority Sectors :

The ratio of priority advances to gross credit in India has almost reached the 33-1/3% norm stipulated by the Government of India, well ahead of the deadline (viz-end March 1979)—a clear manifestation of the Bank's abiding interest in promoting the well being of the economically weaker sections. Outstanding advances to priority sectors recorded an increase of over Rs. 30 crores during the year (or 35%) and stood at Rs. 117.5 crores as of end 1977, covering 4.2 lakh borrowers—a vast majority being small and marginal farmers, landless labourers and other socially backward persons, artisans and craftsmen, repatriates, small scale industrialists and small businessmen.

A planned approach to business development through identification of specific lending opportunities in the command area of each branch/region, formulation of concrete schemes tailored to suit the varied needs of the weaker sections and the close liaison established with the State Government agencies and voluntary service organisations concerned with the implementation of development programmes has been largely responsible for the successful building up of the priority sector credit portfolio.

Conscious of its social responsibilities, the Bank extended timely financial help for rehabilitating victims of the devastating cyclone which lashed parts of the southern peninsula towards the close of last year.

Agriculture :

Lendings to agriculture received a further stimulus. Outstanding farm credit rose from Rs. 39.6 crores in 1976 to Rs. 46.0 crores in 1977. The number of agricultural borrowal accounts increased by nearly 40,000.

Besides drawing up a number of credit schemes for the benefit of farmers both for crop production and for subsidiary occupations, the year saw the Bank participate effectively in the programmes as sponsored by SFDA, MFAL, Integrated Tribal Development Authorities, Scheduled/Caste/Backward Community Development Corporations, IDA, ARDC and Tamilnadu Government (e.g. special animal husbandry programme).

During the year, the Bank organised a farmers' service society and four sericulturist-cum-farmers' service societies in Karnataka.

All the societies are functioning actively. One more farmers' service society will be set up shortly in Warrangal District of Andhra Pradesh.

The number of villages and hamlets adopted by the Bank increased from 324 in 1976 to 375 in 1977.

In order to handle the growing farm credit portfolio with greater efficiency the Bank has strengthened its administrative set-up both at the Head Office and the Regional Offices and has reinforced the field staff by the addition of 79 officers.

Regional Rural Banks :

Pandyan Grama Bank, the second regional rural bank to be sponsored by IOB, and the first of its kind in Tamil Nadu, was set up in March 1977 with headquarters at Sattur to cover the districts of Ramanathapuram and Tirunelveli. The rural bank had, upto end-1977, established 25 branches, mobilised deposits to the extent of Rs. 58.2 lakhs covering 17,000 accounts and extended credit of the order of Rs. 92.7 lakhs to 12150 small and marginal farmers, agricultural labourers and rural artisans.

Puri Gramya Bank promoted in February 1976 in the State of Orissa continued to make good progress. During 1977, it raised its network of branches from 20 to 25, mobilised additional deposits to the tune of Rs. 68 lakhs and expanded credit from Rs. 36 lakhs to Rs. 118 lakhs benefitting 14000 borrowers. It established a farmers' service society in Puri district, besides adopting 10 primary agricultural co-operative credit societies.

Small Scale Industries :

Advances to small scale industries registered a significant rise during 1977. Outstanding advances went up from Rs. 31.5 crores in 1976 to Rs. 46.5 crores in 1977. At the end of the year, small scale industrial advances accounted for 40% of total priority credit. A sizeable share of the incremental credit went to the less developed States and districts. In all about 7000 new units received credit assistance from the Bank during the year raising the total number of small scale industrial units financed by the Bank to 18000.

Employment Promotion Programme :

As in the past, the Bank continued to associate itself actively in the employment promotion programmes formulated by various State Governments. A total amount of Rs. 71.5 lakhs was disbursed during the year benefiting 1050 new borrowers. Outstanding advances showed an increase of Rs. 36 lakhs to Rs. 171.7 lakhs as of end-1977.

The Bank has also been providing financial assistance under its own schemes to enable the educated and other unemployed to gainfully occupy themselves in productive activities. Aggregate outstanding advances to small transport operators, retail traders and other self-employed categories recorded a growth of Rs. 8½ crores during 1977 (a rise of 50%) against an increase of Rs. 5¾ crores in 1976. Over 31,000 new borrowers, including tribals and harijans, were extended credit during the year.

The three Small Business Aid Agencies at Madras and Madurai, set up exclusively to cater to the needs of the weaker sections, continued to register good progress in disbursing credit to small borrowers.

In last year's report, it was mentioned that the share of DIR advances in gross credit of the Bank in India had exceeded the norm of 0.5% fixed by the Government of India. The continuing build up has helped to further raise the proportion to 0.7%. Outstanding DIR advances has crossed Rs. 2 crore mark as of end 1977 (Rs. 137¾ lakhs : end-1976). Bulk of the credit has gone to benefit the scheduled castes and tribes.

District Credit Plans :

To help accelerate the tempo of economic development in the lead

districts assigned to the Bank, credit plans covering all the seven districts have been prepared and the schemes contained therein are being allocated to various member banks at meetings of the District Consultative Committees. Progress made in implementing the plans will be closely followed up.

Branch Expansion :

A record number of branches were opened in India—86 compared to 75 in the preceding year. Approximately three-fifths of the new branches were located in hitherto unbanked centres. 62.1% of the bank's network of branches now function in rural and semi-urban areas, against 59.8% in 1976 and 43.0% on the eve of nationalisation. Nearly one-fourth of the new branches established in 1977 were in the under-banked States of U.P. West Bengal, M. P., Orissa, Bihar and Rajasthan. Eleven extension counters were set up during the year against nine in 1976. As of end-1977, the bank had 655 branches and 46 extension counters in India.

Recruitment and Training :

To meet the demands arising from the continued fast growth of the bank and the increasing diversity of its activities, the pace of recruitment and training of staff at all levels was stepped up.

The number of new recruits during the year was 1840 against 1495 in 1976,—a 23% increase. New recruits included 94 specialist officers, 18 other officers, 1383 clerks and 345 sub-staff. Members belonging to scheduled castes and tribes continued to receive preferential weightage. During 1977, 262 clerks, 139 subordinates and 21 officers belonging to these categories were recruited.

The Staff College and the Regional Training Centres imparted training to 1297 officers against 852 in 1976. Besides full use was made of the training facilities provided by institutions like National Institute of Bank Management, Bankers' Training College etc. 296 Officers took part in external training programmes against 231 in 1976. For the benefit of the clerical staff. 48 courses were conducted by the Bank's Staff College and the Regional Training Centres, covering 1052 persons.

The training curriculum is being constantly revised and updated to take cognisance of new developments in banking. Special training programmes organised during the year covered areas like nursing of sick units, customer service, transactional analysis, handling of government accounts and non-resident deposit accounts. Industrial relations, performance budgeting, customer service and human relations have been made an integral part of the curriculum for officers.

Overseas Operations :

The Bank's overseas offices recorded all-round progress during 1977.

Three new branches were established abroad—one at Seoul, the capital city of the Republic of Korea, the first of its kind by an Indian bank and two additional offices in Hong Kong—at Tsim Sha Tsui and Kwun Chung. As of end-1977, IOB and 10 overseas branches in South East Asia.

Progressive use of Hindi and Regional Languages :

Official language cells have been set up at Regional Offices in Bombay and Calcutta, in addition to the one already functioning in New Delhi. Members of the staff in increasing number have taken advantage of the classes regularly conducted by the Bank and appeared for the various examinations in Hindi. Important circulars are being issued bilingually in English and Hindi. For the convenience of customers, arrangements have been made to print forms bilingually in English and in the regional language.

Board of Directors :

The Board of Directors was reconstituted with effect from November 1, 1977. We take this opportunity to place on record the valuable contribution made by the outgoing Directors to the progress of the Bank.

Conclusion :

We wish to express our deep appreciation of the excellent contribution of the staff at all levels in building up the Bank's business and look forward to their continued whole-hearted support and co-operation.

The Directors are thankful to the Bank's customers and well wishers in India and abroad for their patronage and encouragement.

For and on behalf of the Board of Directors,

A. M. KADHIRESAN
Chairman & Managing Director

Madras
March 1978.

Balance Sheet as at 31st December, 1977

Previous Year	Capital and Liabilities	31st December 1977		Previous Year	Property and Assets	31st December 1977	
Rs.	Rs.		Rs. P.	Rs.			Rs. P.
4,00,00,000		1. Capital	6,00,00,000.00	38,44,02,225	1. Cash (including balances with Reserve Bank of India and State Bank of India)		69,25,93,382.07
3,52,21,621		2. Reserve Fund and other Reserves	3,74,19,822.61	9,17,33,794	2. Balances with other Banks		17,62,37,177.51
4,69,53,02,165		3. Deposits and other Accounts	6,54,89,28,047.98	3,93,54,545	3. Money at Call and Short Notice		2,64,91,318.02
		4. Borrowings from other Banking Companies		1,32,40,35,973	4. Investments		1,82,17,68,115.50
40,56,40,432		Agents etc.	42,11,47,161.29	3,27,87,95,405	5. Advances and Bills Purchased and Discounted		4,22,90,92,151.38
4,83,44,583		5. Bills Payable	9,62,92,416.64	31,49,22,009	6. Bills Receivable being Bills for Collection—As per contra		40,42,75,728.61
		6. Bills for collection being Bills Receivable—As per contra :		47,87,66,427	7. Constituents' Liabilities for Acceptances, Endorsements and other obligations as per contra		76,36,30,176.02
31,49,22,009			40,42,75,728.61	2,04,15,182	8. (a) Premises		3,65,50,540.38
5,52,76,430		7. Other Liabilities	6,73,13,030.39	4,10,897	(b) Building under construction		11,45,901.88
		8. Acceptances, Endorsements and other obligations as per contra		2,74,65,083	9. Furniture and Fixtures		3,89,82,446.04
47,87,66,427			76,36,30,176.02	11,47,82,027	10. Other Assets		20,98,10,978.03
		9. Profit and Loss Account		15,100	11. Non-Banking Assets Acquired in satisfaction of claims		53,468.10
	3,06,75,364	Profit for the year ended 31-12-1977	3,61,20,362.01	Nil	12. Profit and Loss Account		Nil
		Less : Amount transferred to					
	2,50,00,000	Reserve Fund	2,25,00,000.00				
		Provision for					
	34,24,685	Contingencies	1,13,33,109.05				
		Bonus to Staff (Colombo, Singapore and Seoul branches					
	6,25,679	only)	6,62,252.96				
16,25,000	2,90,50,364		3,44,95,362.01				16,25,000.00
6,07,50,98,667		Total :	8,40,06,31,383.54	6,07,50,98,667		Total :	8,40,06,31,383.54

COMPANY AFFAIRS

HINDALCO

THE WORKING profits of Hindustan Aluminium Corporation Ltd for the year ended December, 31, 1977 (before depreciation, reserve for investment allowance and provision, for income tax) works out to Rs 7.95 crores against Rs 9.63 crores in the last year. Besides, during this year a sum of Rs 2.4 crores was received by the company on account of settlement of few of the pending disputes and/or granting of award under arbitration process relating to previous years. There was also an income of Rs 2.95 crores, on account of excise duty rebate during the year. The total income during the year thus amounted to Rs 13.30 crores. After providing for a total of Rs 7.98 crores for depreciation, investment allowance and taxation (Rs 3.81 crores) there is a surplus balance of Rs 5.31 crores against Rs 5.82 crores in the last year. This together with the amount of Rs 83.08 lakhs representing provision of taxation no longer required makes a total of Rs 6.15 crores which the company propose to dispose off as dividend on nine per cent redeemable cumulative preferenec shares absorbing Rs 22.47 lakhs Dividend on 9,3 per cent Redeemable Cumulative "B" Preference Shares will absorb Rs 23,25 lakhs, Dividend on equity shares @ Re 1 per share will absorb Rs 100.39 lakhs.

Although in the first quarter of the year—Jan-March 1977 full power was supplied, 100 per cent cut of power supplied by UPSEB was enforced throughout the major part of the year. Thus as against a production of 83,615 tonnes achieved in the year 1976, only 73,119 tonnes of aluminium could be produced during the year 1977. Even this production could be possible only because of the working of the full installed capacity due to availability of full power during the first quarter as mentioned above. The company has challenged the power cut in the Allahabad High Court on the grounds that it is discriminatory and illegal and the judgement is awaited.

Price of Levy Metal

The prices of levy aluminium fixed in the year 1975 and subsequently reduced are at an uneconomic level. Therefore, the entire dual pricing policy needs immediate revision, failing which the aluminium industry will suffer irreparable losses. During the years 1976 and 1977 the sale price for levy metal fixed for Hindalco has been much below the cost of production which is not only against the government's policy but also against the provision of the Essential Commodities Act under which the levy prices are controlled. Representations have been made to government in this respect.

Total sales turnover during the year was Rs 100.41 crores as compared to Rs 111.37 crores in the year 1976. The sales turnover includes excise duty amounting to Rs 32.84 crores as against Rs 39.72 crores in the previous year, thereby causing a loss of nearly Rs 7.00 crores to the government revenues which is directly as a result of the power cut.

As restrictions have been imposed on exports of aluminium except for small quantity of fabricated items and primary metal against previous commitments, no other export was possible and the total export during the year was only about 1,545 tonnes. Taking a long term view, it is necessary that the government allows the industry to grow and to continue to have a share in the world market. However, this is possible only if the required power is made avaiable to the industry. The generation of the company's captive power plant at Renusagar during the year was the highest achieved at any time, having supplied 941.008 million units of power.

ICICI

Mr H.T. Parekh, chairman of Industrial Credit and Investment Corporation of India, told the annual meeting in Bombay recently that the volume of the corporation's business was growing. It was also trying to expand other activities such as merchant banking. More recently, it had promoted a new company which would finance housing activities. Referring to the corporation'a dividend policy he said since it was in the business of development finance, there were certain constraints in this respect. The corporation had to manage with finer margins as also take large risks. He felt that the maintenance of 12 per cent, dividend for 1977 on the enhanced capital was not a small achievement. Mr Parekh said, the board was seized of the matter of issue of bonus shares. He, however, pointed out that before taking a decision in this regard, it would be necessary to satisfy the guidelines in this respect. It would be necessary to ensure that the corporation would be able to maintain the equity dividend on the enlarged capital resulting from such a bonus issue.

Tata Steel

Tata Steel attained an all-time high in both production and despatches of saleable steel during 1977-78. For the first time in the history of the 70-year old steel plant, the total output of finished steel during the year April 1977—March 1978 crossed the 1.6 million mark or 105 per cent of its present rated capacity. The last all-time high of 1.57 million tonnes was attained in 1966-67. Percentage of tested steel showed noteworthy improvements from 75.8 per cent in 1966-67 to 80.5 per cent in 1977-78. The total steel ingot output was 1.97 million tonnes and the higher yield of saleable steel from ingots was yet another outstanding feature which accounted for the record-breaking performance.

Coke ovens gave a record production of about 1.5 million tonnes of hard coke, as against 1.4 million tonnes in the preceding year, while sinter output was at its best at 1.07 million tonnes. Hot metal (iron) production from five blast furnaces at 1.76 million tonnes was a distinct improvement on 1976-77 performance of 1.75 million tonnes on six furnaces. Production of blooms and slabs, as also sheet bars and

billets, maintained their upward swing while other finishing mills, more or less, kept up their high operational level. Saleable steel despatches during 1977-78 totalled 1.63 million tonnes which broke the earlier record of 1.58 million tonnes.

What makes the achievement more creditable, according to Mr Russi Mody, managing director, is the fact that not only has the steel plant grown older by 10 years since the last record production, but the product mix has also changed very appreciably in that it is far more difficult to make the kind of steel TISCO is making today than what it did 10 years ago.

Hindustan Insecticides

Over 100 per cent utilisation of combined technical DDT capacity of the Hindustan Insecticides Ltd as a whole, availability of pesticides to the farmers at reduced prices, submission of company's second corporate plan to the government and progress of work relating to expansion programme at Rasayani and Udyogamandal, are some of the highlights of achievements during the financial year ended on March 31, 1978. Due to severe difficulties with regard to the availability of raw materials and other factors the production of Udyogamandal factory of the company has been effected. The Delhi unit of the company produced 3024 MT of technical DDT against its rated capacity of 2744 MT amounting to over 110 per cent utilisation of capacity. Productions of recovered sulphuric acid and hydrated calcium silicate are also all time record at the Delhi unit.

Supplies of technical DDT to the agriculture during 1977-78, were 50 per cent more than the supplies made last year. Besides this the company continued to supply major part of DDT WDP required by National Malaria Eradication Programme (NMEP), reducing considerably the import of this product, and thereby saving valuable foreign exchange equivalent to about Rs 130 lakhs. Company's first three agro-pesticides—HILDAN 35 per cent EC, HILDIT 50 per cent, WDP and HILBEECH 50 per cent WDP—introduced during this year and opening of company's first regional sales office at Hyderabad to cater to the needs of southern states have made considerable impact at the end user level.

The company's scheme of joint-ventures with the states is also making progress. The company is negotiating with various states to set up plant for technical grade and formulated pesticides in collaboration with the states agro-industries. The joint venture proposal with the Southern Agro-Industries Corporation has been submitted to government for approval.

Hindustan Organic Chemicals

Hindustan Organic Chemicals Ltd, a government of India enterprise located at Rasayani, Maharashtra, registered increased production and increased sales turnover for the financial year ending March, 1978, according to preliminary working results. Total production of its various chemical intermediates amounted to 68,465 tonnes in 1977-78 as against 58,001 tonnes in 1976-77, an increase of 18 per cent. Sales during the year 1977-78 were Rs 2,144 lakhs compared to Rs 1,883 lakhs in 1976-77, registering a 14 per cent, increase. The company manufactures vital chemical intermediates for drugs, pharmaceuticals, dyes and dye intermediates, rubber chemicals, laminates and pesticides and meets a large share of the domestic demand. Under the second phase of the expansion plans, it will double the capacity of aniline and nitrobenzene plants, besides setting up a concentrated nitric acid plant.

Himalaya Rubber Products

Himalaya Rubber Products Limited, is setting up its factory in Kalyani, West Bengal, for the manufacture of automotive fans and industrial 'V' belts with an annual capacity of one million pieces. The company is headed by Mr O.P. Mundhra as chairman and managed by Mr A.B. Ganguli, ICS (Retd.) as managing director. Technical and financial collaboration for the new venture is being given by Messrs ESCON Consultants Private Limited of Calcutta, who are known for their expertise in all types of belting and other sophisticated rubber products. Order for indigenous machinery have been placed and selection of highly sophisticated equipment from West Germany and the United Kingdom has been finalised for import shortly. Construction of factory building is under way and trial production is expected to commence by June, 1979, with commercial production following three months thereafter. The market for the company's products is bright as per the fifth Plan estimates and present market trends.

The cost of the project is estimated at Rs 1.75 crores. This is proposed to be met by equity capital of Rs 60.00 lakhs, term loans of Rs 70 lakhs from IDBI, IFCI and LIC and foreign currency loan of Rs 30.00 lakhs from ICI[illegible] There will also be cent[illegible] subsidy to the extent Rs 15.00 lakhs. It is propos[illegible] to have public issue of equ[illegible] shares in the near futu[illegible] Equity shares to the extent Rs 29.00 lakhs out of t[illegible] entire issue of Rs 29.40 lak[illegible] is being underwritten by IDB[illegible] ICICI, IFCI, UCO Bank an[illegible] United Industrial Bank Lt[illegible] WBIDC is also participatin[illegible] in the project by way o[illegible] direct subscription to equit[illegible] shares.

Goetze India Issue

Goetze (India) will issu[illegible] some time next month 12,53,32[illegible] equity shares of Rs 10 each a[illegible] a premium of Rs 2 per share[illegible] Set up in 1954 by Escorts and Goetzewerks AG of West Germany, the company is engaged in the manufacture of piston rings and cylinder liners at its plant at Bahadurgarh. It is setting up another plant at Bangalore for manufacturing additional 10 million piston rings per annum. The total cost of the project is placed at Rs 9 crores. The proceeds of the issue will be utilised for financing a part of the project cost.

The Bangalore project is expected to be in operation by the end of 1978. With the vast experience of over 20 years build-up in the highly sophisticated field of piston rings at Patiala and with trained and experienced managerial force available for the new project, it is expected that there would be hardly any gestation period for the new unit to take off. The first phase of the foundry which has been initiated at Bangalore is nearly eight months ahead of schedule.

The company has a good record of performance, its turnover in 1977 was Rs 3.63 crores against Rs 3.52 crores

1976. The pre-tax profit talled Rs 90.28 lakhs against s 96.64 lakhs and the profit ter tax Rs 35.34 lakhs against s 35.82 lakhs. Equity divi-end of 20 per cent, was aintained for 1977 on a share pital of Rs 153.74 lakhs. fter the proposed issue and sue of capital to the promo-rs and their associates, and ne company employees, the apital will rise to Rs 4 rores. The management ex-ects that the company's net rofit in the coming years will e sufficient to enable payment f reasonable dividend on the nhanced equity capital. The ew shares will rank for a pro rata dividend from the allot-ment date on the amount paid-up.

Garden Reach

Garden Reach Workshop Limited (GRW), manufactures ship deck machinery for all sizes and descriptions for cargo liners, passenger-cum-cargo ship, tugs, dredgers etc. using best possible materials and advanced manufacturing techniques with sophisticated machine tools. These equipments are manufactured under inspection of Lloyd's/Statutory Authorities to highest international standards. Performances are guaranteed after extensive shop testing is carried out. For this purpose, comprehensive test facilities have been created. The company has a collaboration with M/s AEG, West Germany, and its full-fledged design office can design equipment tailor-made to any specific requirements. Besides, efficient after-sales service they maintain stock of essential spare parts for despatch at very short notice to any part of the globe ensuring complete customers satisfaction. In fact, GRW can quite justifiably claim to be the largest manufacturer of ship deck machinery in Asia outside Japan.

Garden Reach workshop has also designed a 26,000 tonnes deadweight bulk carrier. This marks the first major effort of its kind in this country to produce the basic design of a large ocean going ship without foreign collaboration. Preliminary resistance tests were carried out at the Indian Institute of Technology, Kharagpur. Further extensive resistance tests, self-propulsion tests, wake survey and manoeuvring tests have been carried out using alternative bow and stern forms at the famous Model Testing Tank at Hamburg in West Germany and optimum hull form with Bulbous Bow and Transom Stern was obtained. It has been able to achieve a power-speed ratio which appears to be one of the most economical compared to various other designs for this range of ships. In today's recessionary market very big ships are finding it difficult to secure adequate cargo to run to full load at all times. As a result of the general market study, it has been found that all over the world bulk carriers in the range of 26,000 DWT are popular.

Camphor and Allied Products

Chief minister of J & K, Sheikh Abdulah recently laid foundation stone of Rs 3 crore integrated chemicals project being set up in J&K by Camphor and Allied Products Limited. To be completed in three phases of one year each, it will ultimately utilise 10,000 tonnes of resin per annum and would have an annual turnover of Rs 5 crores. First phase of the project to utilise 5,000 tonnes of resin is expected to be commissioned in July next year.

The project will utilise modern technology developed by Camphor and Allied Products Limited itself to manufacture resin and turpentine derivatives. It is claimed that the project would be first of its kind in the country to manufacture derivatives hitherto unknown in India. Coupled with import substitution items the project is expected to earn foreign exchange of a value of Rs 250 lakhs per annum. It will give employment to 250 people and open possibilities of setting up ancillary industries.

Antifriction Bearings

The Antifriction Bearings Corporation, has recorded during 1977 improved sales at Rs 6.51 crores from Rs 5.87 crores in 1976. The gross profit improved from Rs 88.27 lakhs to Rs 101.53 lakhs. After providing Rs 47.51 lakhs (Rs 46.98 lakhs) for depreciation, Rs 1 lakh (Rs 2 lakhs) for investment allowance and Rs 7.50 lakhs for taxation, and after making some adjustments, the disposable surplus is Rs 56.61 lakhs (Rs 43.68 lakhs). Equity dividend has been raised from 12 per cent to 15 per cent. Dividend will absorb Rs 21.98 lakhs (Rs 17.59 lakhs). General reserve gets Rs 5 lakhs (Rs 15 lakhs) leaving Rs 29.53 lakhs to be carried forward.

Eastern Economist 30 Years Ago

APRIL 23, 1948

Implementation of a unified social security scheme for industrial workers is now within sight. Early this month, the Dominion Parliament passed the Employees' State Insurance Bill, which by consensus of opinion is considered a landmark in the hisiory of Indian labour legislation. Being a major achievement of the Congress Government in the field of labour, this bill, if carefully administered, will go down in history as a solid and constructive piece of legislation to ameliorate the lot of the industrial masses. The structure of social security is to be laid on the existing foundations. While improving and consolidating the existing legislation regarding workers' compensation and maturity benefits, the bill goes a step further and provides for sickness insurance. To begin with, such primary contingencies as sickness, maternity and employment injury have been covered by an integrated plan, but the principle of social insurance is to be applied progressively and its scope widened gradually. As the Labour Minister has pointed out the scheme is a modest beginning in the direction of social security. It is a Government proposal to protect the labouring class from the five big giants of want, disease, ignorance, squalor and idleness. Already indications are not lacking that the Government is seriously considering proposals regarding compulsory provident fund and employment insurance. The intensity of Government's efforts in the domain of social security must necessarily be conditioned by the level of economic activity in the country. The pace recently has been fairly brisk and the advance so far made goes beyond what has been achieved by other Asian countries.

Licences and Letters of Intent

The following licences and letters of intent were issued under e Industrial (Development and Regulation) Act 1951 during e month of February 1978. The list contains the names and ldresses of the licensees, articles of manufacture, types of cences—New Undertakings (NU), New Articles (NA), Substan-al Expansion (SE), Carry on Business (COB), Shifting—and nnual Installed Capacity. Details regarding licences and letters intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Agarwal Containers Private Ltd, 799/5, Bhawani Peth, UNE-11002, (Poona-Maharashtra)—Mild Steel Barrels (200 tres capacity)—6,000 tonnes—(COB)

M/s Vanaz Engineers Private Ltd, 396, Veer Savarkar Marg, ombay-400025, (Poona-Maharashtra)—Non-ferrous forgings/ ampings—600 tonnes (after expansion)—(SE)

Electrical Equipment

M/s General Electric Co. of India Ltd, Magnet House, 6, hittaranjan Avenue, Calcutta-700069, (24-Parganas—WB)—) Flame Proof air circuit breakers upto 660 V, 300 A and 10 IVA rupturing capacity—500 Nos. (ii) Flame proof gate and oxes upto 660 V, 300 A—500 Nos. (iii)Flame proof air circuit eakers, 3.3 KV, 350 A, 75 MVA rupturing capacity—100 Nos -(SE)

M/s Transformers & Electricals Kerala Ltd., Angamally outh, PO Ernakulam, Distt Kerala (Ernakulam-Kerala)—ushings upto 400 KV—750 Nos (after expansion). On-load Tap hangers upto 400 KV—170 Nos (after expn.)—(SE)

M/s Universal Electrics Ltd., 9/1, R.N. Mukherjee Road, alcutta-700001, (24-Parganas—WB)—Protective Relays—3,750 Nos—30,000 Nos (after expn.)—(SE)

M/s Philips India Ltd, 7, Justice Chandra Madhab Road, alcutta-700020, (Thana—Maharashtra)—GLS Lamps—24 illion Nos, Fluorescent Tubes—4 million Nos, Starters for uorescent tubes—2.5 million Nos, Lighting Fittings—2.25 lakh os, Fluorescent Powder—110 tonnes, Glass Shells—30 million os, Tungsten Filaments—100 mill, metres. Molbydenum wire—600 kg, Glow-Switches—5 million Nos—(SE)

Transportation

M/s Transwel Chains (India) Ltd, 67, Shardhanand Marg st Floor), Delhi-110006 (Hissar-Haryana)—Industrial and utomotive Roller Chain of pitch size 3/8″ and above—6,00,000 etres—(NU)

M/s Suri and Nayar Ltd, Whitefield Road, Post BoxNo 4802, angalore-560048 (Bangalore-Karnataka)—Instantaneous Rever-bility Transmission for Locomotives—10 Nos—(NA)

Industrial Machinery

M/s-Bombay Ring Travellers Co Ltd, Neville House, J.N. erdia Marg, Ballard Estate, Bombay-400038 (Thana-Mahara-tra)—Nylon Travellers—7 million pieces. Textile Rings—3.5 kh pieces—(SE)

Miscellaneous Industries

M/s F. Fibre Bangalore Private Ltd, A-83, Industrial Estate, jaji Nagar, Bangalore-560044 (Bangalore-Karnataka)—High ensity Polyethylene woven bags—442 tonnes—(COB)

Chemicals other than Fertilizers

M/s Southern Gas Ltd, Lovedale Church Landing Road, rnakulam, Cochin-16, (Bhadravati-Karnataka)—Oxygen Gas—00 MCM, Dissolved Acetylene Gas—0.20 MCM, Nitrogen as—0.50 MCM—(NU)

M/s Monaechst Electronics Private Ltd, 7, Nehru Park ciety, Race Course, Baroda-390007, (Broach-Gujarat)—Oxygen as—0.45 MCM, Dissolved Acetylene Gas—0.20 MCM—(NU)

M/s Indian Farmers Fertiliser Coop Ltd, 34, Nehru Place, New Delhi-110024, (Mehsana-Gujarat)—Dry Ice (Solid Carbon-dioxide)—1980 tonnes—(NA)

M/s Hindustan Insecticides Ltd, Hans Bhavan, Wing-I, Ground Floor, Bahadurshah Zafar Marg, New Delhi-110002, (Alwaye—Kerala)—Endosulfan Technical—1600 tonnes—(NA)

Drugs and Pharmaceuticals

M/s Unichem Laboratories Ltd, Unichem Bhavan, SV Road, Bombay-400060. (Kolaba-Maharashtra & Ghaziabad—UP)—Mebendazole—3,000 Kgs Formulations based on Mebendazole—30 million tablets—(NA)

M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-390003. (Baroda-Gujarat)—Erythromycin—6 tonnes—12 tonnes (after expn.)—(SE)

Textiles

M/s Gokak Mills, Divn. of Gokak Patel Volkart Ltd, Gokak Falls, Distt Belgaum (Karnataka State), (Belgaum-Karnataka)—Cotton yarn—11,100 spindles (Addl.)—1,01,170 spindles (After expn)—(SE)

M/s Stretchlon Private Ltd, Bombay Cotton Mills Estate, Dattaram Lad Path, Bombay-400033. (Nagpur-Maharashtra)—Crimped Nylon Socks—5,00,000 dozen pairs, Knitted Crimped Nylon Fabrics—60,000 Kgs—(NU)

M/s The Dawn Mills Co Ltd, Ganpatrao Kadam Marg, Lower Parel, Bombay-400013 (Bombay-Maharashtra)—Cotton Yarn—6,560 spindles (Addl.)—55,772 spindles (After expn)—(SE)

M/s Himachal Wool Processors Ltd, Cart Road, Simla-171001. (Solan—Himachal Pradesh)—Woollen Yarn—2,800 woollen spindles—(NU)

Fermentation Industries

M/s Sir Shadi Lal Distillery and Chemical Works, Mansur-pur, Dist. Muzaffarnagar (UP) (Muzaffarnagar—UP)—Indian Made Foreign Liquors and Country Liquors—1735 bulk kilol-itres—(COB)

Food Processing Industries

M/s B.M.G. Fisheries Private Ltd, Udyog Bhavan, 4th Floor, Walchand Hirachand Marg, Ballard Estate, Bombay-400038. (Junagarh—Gujarat)—Processing of Sea Foods—6,000 tonnes—(NU)

Vegetable Oils and Vanaspati

M/s General Foods Private Ltd, 150, Jaora Compound, Indore-452001. (Indore—MP)—Cottonseed Oil/Minor Oilseed Oils—30,000 tonnes in terms of seeds—(NU)

Leather and Leather Goods

M/s Deccan Leathers Ltd, 6-3-666/A, Panjagutta, Hyderabad 500004. (Medak—AP)—Finished Leather from EI/Blue goat and sheep skins—6,00,000 Pcs—(NU)

Cement and Gypsum Products

M/s Hyderabad Asbestos Cement Products Ltd, Sanatnagar, Hyderabad-500018. (Bhagalpur-Bihar)—Compressed Asbestos Cement Sheets—24,000 tonnes—(NU)

M/s. Andhra Cement Company Ltd, Vijayawada-520003, Distt Krishna (AP) (Visakhapatnam-AP)—Grinding of Portland Blast Furnace Slag Cement—2,50,000 tonnes—(SE)

M/s Mangalam Cement Ltd, D-1/54, Vasant Vihar, New Delhi-110057. (Kota-Rajasthan)—Portland Cement—4,00,000 tonnes—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s B.D. Steel Castings Ltd, G.T. Road, Jullundur Canton-ment (Thana-Maharashtra)—Re-rolling of Steel (Other than mild Steel) into rounds, flats, squares and angles—16,000 tonnes —(NA)

M/s Madhya Pradesh Electricals Ltd, 'D' Sector, Industrial

Area, Govindpura, Bhopal-462023. (Bhopal-MP)—Bare Copper/ Aluminium strips, sections, flats etc—600 tonnes—(NA)

Mr Darshanjit Singh, D-12, Maharani Bagh, New Delhi-110014. (Ghaziabad-UP)—H.T. Self-Tapping Screws—2,000 tonnes. M.S. Serews—500 tonnes. Wood Screws—500 tonnes—(NU)

Electrical Equipment

M/s Crompton Greaves Ltd, Kanjur, Bhandup, Bombay-400079. (Bombay-Maharashtra)—Electric Motors upto 2000 KW—Within the existing licensed capacity of 8,40,000 HP—(SE)

M/s Orbitron Electronics, 7, Parvati Ind. Estute, New Sun Mill Compound, Lower Parel, Bombay-400013 (Nasik-Maharashtra)—Diodes (1 amp and above upto aad including 30 amps) —2 lakh Nos. Triacs /Diacs—4 lakh Nos. Power Transistors—2 lakh Nos. SCR's (Less than 30 amps)—2 lakh Nos—(NA)

Telecommunications

M/s Press Metal Corpn Pvt Ltd, Andheri Kurla Road, Bombay-400059 (Madras-Tamil Nadu)—Fuel tanks—300 tonnes, Trim shop items—100 tonnes, Air vent systems—20 tonnes, Chassis frame members—8000 tonnes, Sheet metal parts (excluding items reserved in small-scale sector)—11,380 tonnes, Total capacity—19,800 tonnes—(NU)

M/s Schrader-Scovill Duncan Ltd, 31, Netaji Subhas Road, Calcutta-700001. (Maharashtra)—Hoses with end fittings suitable for super High Pressure and High Pressure applications, above 1000 PSI—8 lakh Nos, Oil seals (for non-automotive applications) of following types: (a) Block Vee Packings, U-cups, J-Cups, O-Rings; (b)Wiper-Scraper Seals, (c) Double lip rod wiper seals, (d) Special seals for pump industry and gland packings and U-seals for different industries—50 lakh Nos—(NU)

Miscellaneous Industries

M/s Harbans Lal Malhotra and Sons Ltd, 40, Belur Station Road, Belurmath, Howrah (Howrah-West Bengal)—Plastic Combs and Components—300 tonnes—(NA)

Chemicals other than Fertilisers

M/s Kolhapur Oxygen and Acetylene Pvt Ltd, India House, Fort Street, Bombay-400001 (Kolhapur-Maharshtra)—Oxygen Gas—0.216 MCM (existing)—8.00 MCM (after expn), DA Gas —0.20 MCM (NA/SE)

Drugs and Pharmaceuticals

M/s Standard Pharmaceuticals Ltd, 24, Park Street, Calcutta-700016 (Hooghly-WB)—Cloxacillin Capsules—15 lakh Nos—(NA)

M/s Standard Pharmaceuticals Ltd,24, Park Strect, Calcutta-700016 (Hooghly-WB)—Oxytetracycline Capsules—60 lakh Nos —(NA)

Rubber Goods

M/s T Maneklal Manufacturing Co Ltd, Vaswani Mansions, Dinshaw Vachha Road, Marine Lines, Bombay-400020. (Punchmahal-Gujarat)—High Pressure Hoses above 1000 PSI—5 lakh metres—(NA)

Leather and Laether Goods

M/s West Bengal State Leather Industries Development Corpn Ltd, P-8, Hide Lane (5th Floor), Calcutta-12, (Calcutta-West Bengal)—Hides—1.8 lakh Nos, Skins—9.0 lakh Nos—(NU)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s UP Co-operative Sugar Factories Federation Ltd, Lucknow to M/s The Ramala Sahakari Chini Mills Ltd, Ramala, Distt Meerut (UP)

M/s Garware Filament Corporation Pvt Ltd to M/ Garware-Wall Ropes Ltd

M/s Shree Mukesh Textile Mills Pvt Ltd to M/s Tungbhadr Sugar Works Pvt Ltd

M/s Kubera Sugar Managers Ltd, Pithapuram to M/ Kirlampudi Sugar Mills Ltd, Pithapuram

Mr Kailash Kumar Singh to M/s The Kisan Sahakari Chir Mills Ltd

Licences Revoked or Cancelled

(Information pertains to particular licences only)

Mr Chandra Kumar Kanoria, Calcutta—Duplex Board an Kraft Liner—(Revoked)

M/s Central Magnet Wire Products Pvt Ltd, Ratlam (MP)- Dies and Moulds—(Revoked)

M/s Kundan Sons (India) Pvt Ltd, New Delhi—Electro Medical Equipments—(Revoked)

M/s Gogte Steels Ltd, Bombay—HC Wire Rods—(Revoked)

M/s Padam Das & Co, Ludhiana—Worsted Spindles- (Cancelled)

M/s Rajasthan State Industrial and Mineral Developmen Corpn Ltd, Jaipur—Calcium Carbide—(Revoked)

M/s Hercules Chemicals and Carbide Ltd, Calcutta—Calciu Carbide—(Revoked)

Letters of Revoked, Intent Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Coromondel Fertilisers Ltd, New Delhi (Andhra Pra desh)—Aluminium Fluoride—(Cancelled)

M/s Cloth Traders (P) Ltd, Ahmedabad (Gujarat)—Glyoxa 40 per cent (Cancelled)

M/s Metal Powder Co Ltd, Madurai Distt. (Tamil Nadu)— White Phosphorous—(Lapsed)

M/s Naarden (India) Ltd, Bombay (Maharashtra)—Aromatic Chemicals—(Cancelled)

M/s Anand Mohan Agarwala, Nagpur (Maharashtra)—Data Entry Systems and Cartridges Drive—(Revoked)

M/s General Engg. Works, New Delhi (Rajasthan)—HT Precision Screws—(Cancelled)

M/s The Indian Sugar and General Engg. Corpn, Prop: The Saraswati Indl. Syndicate Ltd, Yamunanagar (Distt Ambala) (Haryana)—Recovery of Silver from Waste Chemicals— (Cancelled)

M/s Punjab State Electronics Development and Production Corpn. Ltd, Chandigarh (Punjab)—Quartz Blanks and Quartz Crystal Units—(Cancelled)

Mr S.R. Agarwal, C/o M/s Premji Girdhari Lal, Puri (Orissa) (Orissa)—Sulphuric Acid—(Lapsed)

M/s West Bengal Alloy Steels Ltd, Calcutta (West Bengal)— Hot rolled and Cold rolled steel strips—(Cancelled)

M/s Debikay Electronics, Thana (Maharashtra) (West Bengal) —DC Motors upto 200 KW—(Lapsed)

M/s Straw Products Ltd, New Delhi (Orissa)—Caustic Soda/ Chlorine—(Cancelled)

M/s Haryana State Ind. Dev. Corpn. Ltd, Chandigarh (Haryana)—Glass Bottles—(Lapsed)

M/s V.C. Burman, New Delhi (UP)—Assorted Hair Cosmetics—(Lapsed)

M/s Bhadkal Electronics (P) Ltd, New Delhi (Harayna)— Electronics Speed Control—(Revoked)

Mr Arun Kumar Khemka, Calcutta (Karnataka)—Synthetic Rubber Cots and Aprons—(Lapsed)

The Meghalaya Indl Dev Corpn Ltd, Shillong (Meghalaya)— Conveyor Belting and Fan and V Belts—(Lapsed)

Price policy for wheat

The Agricultural Prices Commission (APC) in its latest report for the wheat price policy has recommended the maintenance of the procurement price for all varieties of wheat at Rs 110 per quintal. Since the wheat crop this year again is expected to be a bumper one, it has suggested support purchase of the order of six million tonnes. In a special note concerning the estimates of cost of wheat cultivation in Punjab and Haryana, the Directorate of Economics and Statistics, government of India, has shown that in 1976-77, the cost of production of wheat in Haryana took a steep jump upwards by as much as Rs 35.38 per quintal; the corresponding increase in the case of Punjab was marginal at Rs 1.94 per quintal. These estimates point to the necessity of Increasing the support price. The government has now fixed the procurement price at Rs 112.50 per quintal for all varieties for the current rabi season as against Rs 110.00 per quintal fixed last year.

The report of the APC and the above-mentioned note of the Directorate of Economics and Statistics (which is a part of the report) are given below in full :

IN THIS report, the Agricultural Prices Commission presents its views on the price policy for the wheat crop of 1977-78 to be marketed in the 1978-79 season. The commission has recommended that, (a) the procurement price for all the varieties of wheat in the different states for the 1978-79 marketing season be maintained at Rs 110 per quintal; (b) considering the likely size of the current crop, the public sector agencies be geared to undertake support purchases to the tune of six million tonnes in the 1978-79 season; and (c) with a view to maximising the benefits from fertiliser use, the desired balance in the application of different fertilisers be sought to be achieved.

The output of wheat has recorded a continual rise since 1973-74; the estimated production of the cereal in 1976-77 at around 29 million tonnes is larger—albeit marginally—than that in the preceding year and represents an increase of more than seven million tonnes over the level attained in 1973-74. Despite this expansion in wheat output and the large stocks of the cereal with the government, prices of wheat during the current marketing season have generally stood above those of last year following the removal of the inter-state restrictions on the movement of wheat on private account and the step-up in the procurement price. (Tables I to III)

Notwithstanding the complete withdrawal of restrictions on the inter-state movement of wheat and even in the absence of any target for procurement for the 1977-78 marketing year, the purchases of wheat by the public sector agencies so far during the season have amounted to as much as 5.2 million tonnes, bulk of these having been effected in Punjab and Haryana. While the total quantity purchased in Haryana was more or less of the same order as last year, purchases in Punjab were the highest ever effected so far. In fact, in Punjab, out of an increase of about five lakh tonnes in the production of wheat in 1977-78 over that in the preceding year, as much as 60 per cent got delivered to the public sector agencies despite the free movement of the grain throughout the country. This development needs to be viewed against the size of total stock of foodgrains with the government; foodgrain stocks at the beginning of July 1977 stood at 20.6 million tonnes, those of wheat touching the record level of 14.6 million tonnes compared to 11.5 million tonnes in the corresponding period of 1976. Thanks to the measures taken to reduce the level of stock holding and the increase in the offtake from the public distribution system consequent to the rise in the market prices of the cereal towards the close of the year, the total stock of foodgrains declined to 17 million tonnes at the end of January 1978. Even at this level, it represents a net withdrawal of only 1.9 million tonnes compared to the stock position a year ago. (Tables IV and V)

In this connection, it is pertinent to note that the outlook for the 1977-78 crop of wheat is promising; available indications place it at more than 3[illegible] million tonnes. Coming in the wake of a bumper harvest of kharif foodgrains, the sustained improvement anticipated in the output of wheat in 1977-78 juxtaposed with the sizeable quantum of public stocks of foodgrains has indeed rendered the overall situation on the food front quite comfortable. In fact, the large stocks with the government are having the effect of containing the operations of the private trade in wheat which seems to be concentrating on the superior quality grain.

Support Purchases

In view of the aforesaid, it appears that the scale of support purchases of wheat in the post-harvest months of the coming season would have to be even larger than in the current year. While a situation such as this does not warrant the fixation of any procurement targets, it is nevertheless important to envisage the order of support operations that may need to be undertaken and accordingly organise the purchase machinery for the task. Considering the likely size of the current crop, the commission suggests that the public sector agencies be geared to undertake support purchases to the tune of six million tonnes in the 1978-79 wheat marketing season. Focussing on the states which have been accounting for the bulk of the procurement of wheat in recent years, the requisite magnitude

TABLE I

Wheat : Area, Production and Yield

Area : '000 hectares
Production : '000 tonnes
Yield : Kg. per hectare

State		1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
Bihar								
	Area	1,316	1,397	2,509	1,334	1,478	1,815	1,945
	Production	1,259	2,494	3,136	1,649	2,000	2,297	2,470
	Yield	957	1,785	1,250	1,236	1,353	1,266	1,270
Gujarat								
	Area	577	575	371	521	406	686	727
	Production	939	897	548	906	734	1,151	1,072
	Yield	1,628	1,562	1,475	1,737	1,808	1,678	1,475
Haryana								
	Area	1,129	1,177	1,270	1,178	1,117	1,226	1,349
	Production	2,342	2,402	2,231	1,811	1,954	2,428	2,731
	Yield	2,074	2,041	1,757	1,537	1,749	1,980	2,024
Himachal Pradesh								
	Area	302	333	315	303	319	332	273
	Production	246	395	333	287	356	403	377
	Yield	815	1,185	1,059	948	1,116	1,214	1,381
Jammu & Kashmir								
	Area	184	180	189	190	191	176	176
	Production	125	168	174	161	194	154	154
	Yield	678	935	923	846	1,013	875	875
Karnataka								
	Area	305	347	299	346	365	407	363
	Production	95	187	109	207	320	281	257
	Yield	310	540	366	599	877	691	708
Madhya Pradesh								
	Area	3,403	3,665	2,277	3,274	2,788	3,360	3,107
	Production	2,572	3,189	2,285	2,539	2,352	2,751	2,301
	Yield	762	870	697	776	843	819	741
Maharashtra								
	Area	882	1,009	691	923	942	1,183	1,188
	Production	451	503	249	514	776	1,260	938
	Yield	511	498	360	557	824	1,065	790
Punjab								
	Area	2,299	2,335	2,404	2,338	2,213	2,439	2,579
	Production	5,145	5,618	5,368	5,181	5,300	5,788	6,272
	Yield	2,238	2,406	2,233	2,216	2,395	2,373	2,432
Rajasthan								
	Area	1,478	1,514	1,399	1,673	1,421	1,762	1,793
	Production	1,951	1,889	1,754	1,791	1,819	2,290	2,295
	Yield	1,320	1,248	1,253	1,070	1,280	1,300	1,280
Uttar Pradesh								
	Area	5,907	6,046	6,135	6,009	6,152	6,302	6,585
	Production	7,690	7,550	7,515	5,879	7,176	8,553	8,718
	Yield	1,302	1,249	1,225	978	1,166	1,357	1,324
West Bengal								
	Area	360	422	368	330	422	565	565
	Production	868	921	688	630	837	1,187	1,187
	Yield	2,410	2,181	1,869	1,908	1,984	2,101	2,101
All-India								
	Area	18,241	19,139	19,464	18,583	18,010	20,454	20,863
	Production	23,832	26,410	24,735	21,778	24,104	28,846	29,082
	Yield	1,307	1,380	1,271	1,172	1,338	1,410	1,394

Source : Directorate of Economics and Statistics, ministry of Agriculture and Irrigation.

of support purchases is likely to be around 35 lakh tonnes in Punjab, 10 lakh tonnes in Haryana and 12 lakh tonnes in Uttar Pradesh. There is also need, for keeping in readiness, to make support purchases in other states such as Rajasthan and Bihar.

When the need is for a policy of aggressive support purchases to prevent the price of wheat from falling below the level of the existing procurement price, there is a demand in some quarters for a substantial hike in the procurement price. As the case for an increase is being argued on grounds of cost of production, this factor ought, of course, to be considered. But a step-up in the price in the present situation carries some important implications which too cannot be brushed aside.

The latest estimate of cost of production generated under the Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops relates to 1976-77 for the state of Punjab.* According to this estimate, paid out costs amount to Rs 58 per quintal and cost C which covers all items including the imputed value of family labour and the return to fixed capital and land works out to Rs 101 per quintal. In assessing the extent procurement price for wheat in relation to cost, it needs to be reiterated that with the removal of zonal restrictions on the inter-state movement of grain on private account, the purchases made at this price have now unambiguously emerged as support purchases. And considering that the return on investment in fixed capital and land is already included in the estimate of cost C, the magnitude of the extra margin that can be built into a support price cannot be completely dissociated from the existing realities of demand for the cereal in relation to the size of the current crop and the stocks with the government. (Table VI)

Here it may be mentioned that an increase in the procurement price would either inflate the overall subsidy in respect of foodgrains envisaged at around Rs 450 crores for the coming year, or in the alternative lead to a corresponding rise in the issue price of wheat. In a situation when efforts are being made to enlarge the consumption of wheat through t food-for-work programme releasing it at a price low than the current issue pric there would be an oddity raising the issue price itself.

Likewise, the consideratio of the appropriate level of th administered price for whea cannot be detached from th factors which weighed with th commission when it recom mended the price policy fo the gram crop of 1977-78 to b marketed in the 1978-7 season. The commission ha recognised the gravity of th production problem in respec of pulses in the absence of a technological breakthrough on the one hand and in view of the meagre possibilities o importing pulses from overseas on the other and deemed it advisable to give an edge to the price to be assured for gram over that for wheat in order to help aid the efforts to increase irrigated gram acreage and also

*The estimate for Haryana for 1976-77 has been reported to be in the verificatory stage: U.O. received in this regard from the Directorate of Economics & Statistics, ministry of Agriculture & Irrigation, government of India is appended herewith.

No study of the cost of production for wheat for 1976-77 was carried out under the scheme in Uttar Pradesh.

The latest estimate of the cost of production for wheat for Madhya Pradesh made available to the commission by the Directorate of Economics & Statistics relates to 1975-76. According to this estimate, paid out costs work out to Rs 42 per quintal and cost C to Rs 92 per quintal.

TABLE II

Month-end Stocks of Foodgrains

('000 tonnes)

Month	1976				1977*				1978*			
	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
January	3,661	4,906	487	9,054	6,124	12,095	729	18,948	6,196	10,722	156	17,074
February	4,354	4,785	681	9,820	6,276	11,763	699	18,738				
March	4,723	4,859	900	10,482	6,249	11,122	665	18,036				
April	5,127	5,276	924	11,327	6,046	10,827	632	17,505				
May	5,128	9,742	909	15,779	5,898	13,191	564	19,653				
June	5,112	11,499	904	17,515	5,518	14,637	462	20,617				
July	5,005	11,588	847	17,440	5,165	14,379	363	19,907				
August	4,691	11,599	787	17,077	4,810	13,985	298	19,093				
September	4,467	11,752	727	16,946	4,392	13,610	207	18,209				
October	4,426	11,892	698	17,016	4,362	12,841	181	17,384				
November	4,943	12,148	688	17,779	5,141	12,248	175	17,564				
December	5,629	12,253	681	18,563	5,709	11,532	162	17,403				

*Provisional

Source : Department of Food, ministry of Agriculture and Irrigation.

TABLE III

Month-end Wholesale Prices of Wheat

(Rs per quintal)

State/centre variety	Year	April	May	June	July	August	Sep.	Oct	Nov.	Dec.	Jan.	Feb.	March
Bihar (Arrah)													
White	1974-75	208.00	188.00	228.00	220.00	N.A.	217.00	238.00	209.00	212.00	N.A.	N.A.	N.A.
	1975-76	N.A.	N.A.	N.A.	N.A.	145.00	150.00	153.00	135.00	135.00	147.00	160.00	130.00
	1976-77	105.00	105.00	108.00	125.00	120.00.	125.00	130.00	125.00	145.00	153.00	145.00	150.00
	1977-78	105.00	120.00	115.00	130.00	123.00	129.00	130.00	147.00	144.00	153.00	153.00	—
Gujarat (Rajkot)													
White	1974-75	175.60	182.50	156.25	171.25	205.00	200.00	181.35	195.00	190.00	181.00	182.00	157.00
	1975-76	173.00	175.00	174.00	159.00	165.00	168.00	174.00	183.00	184.00	181.00	122.00	105.00
	1976-77	106.50	106.40	105.00	113.85	115.85	125.00	134.35	135.50	138.75	130.00	125.50	119.25
	1977-78	141.25	134.10	137.50	136.25	124.00	146.25	156.50	183.75	179.35	168.75	158.75	—
Haryana (Sonipat)													
Dara	1974-75	112.00	128.00	124.00	128.00	137.00	150.00	158.00	159.00	174.00	180.00	181.00	147.00
	1975-76	113.00	122.00	115.00	110.00	106.00	109.00	106.00	104.00	114.00	119.00	106.00	105.00
	1976-77	103.00	102.00	102.00	107.00	105.00	108.00	97.00	100.00	N.A.	131.00	125.00	127.00
	1977-78	110.00	110.00	110.00	112.00	110.00	114.90	112.00	113.00	127.00	130.00	130.00	—
Himachal Pradesh (Mandi)													
Dara	1974-75	165.00	160.00	155.00	160.00	170.00	184.00	180.00	175.00	182.00	176.00	173.00	172.00
	1975-76	160.00	152.00	154.00	153.00	155.00	152 00	153.00	148.00	150.00	160 00	170 00	168.00
	1976-77	165.00	135.00	130 00	134.00	133.00	134.00	136.00	135.00	136 00	142.00	143.00	148.00
	1977-78	N.A.	118.00	129.00	131.00	130.00	129.00	N.A.	N.A.	150.00	147.00	N.A.	—
Madhya Pradesh (Indore)													
Pissi	1974-75	165.00	173.00	195.00	193.00	190.00	203.00	215.00	188.00	190.0	189.00	188.00	175.00
	1975 76	170.00	185.00	N.A.	N.A.	160.00	133.00	130 00	138.00	137.00	130.00	111.50	113.50
	1976-77	115.00	125.00	132.00	135.00	143.00	148.00	148.00	135.00	152.00	145.00	160 00	150.00
	1977-78	148.00	148.0	152.00	152.00	152.00	152.00	145 00	150 00	180.00	175.00	168.00	—
Maharashtra (Aurangabad)													
Bansi	1974-75	184.00	180.00	184.00	193.00	195.00	N.A.	185.00	218.00	215.00	225.00	212.00	188.00
	1975-76	200.00	193.00	193.00	189.00	208.00	183.00	213.00	193.00	213.00	230.00	145.00	128.00
	1976-77	137.00	134.00	143.00	157.00	150.00	150.00	160.00	162.00	175.00	145.00	150.00	146.00
	1977-78	140.00	143.00	145.00	142.00	148.00	155.00	160.00	165.00	190.00	163.00	171.00	—
Punjab (Amritsar)													
Dara	1974-75	115.00	107.00	115.00	119.00	115.00	126.00	108.00	122.00	124.00	120.00	114.00	114.00
	1975-76	110.00	105.00	117.00	113.00	113.00	115.00	114.00	123.00	129.00	132.00	123.00	125.00
	1976-77	115.00	105.00	105.00	103.00	95.00	86.00	110.00	107.00	N.A.	129.00	128.00	128.00
	1977-78	110.00	109.00	109.00	112.00	110.00	112.00	115.00	128.00	132.00	130.00	131.00	—
Rajasthan (Ganganagar)													
Kalyan	1974-75	118.25	129.05	137.50	138.05	163.80	204.00	199.00	201.00	192.00	201.00	188.00	188.00
	1975-76	167.00	155.60	146.00	145.00	139.00	137.00	126.00	138.00	142.00	132.00	105.00	111.00
	1976-77	104.00	104.60	106.75	109.00	105.00	83.00	107.00	108.00	117.00	131.10	127.00	120.00
	1977-78	95.00	109.00	112.00	112.30	117.00	115.60	111.35	127.00	141.00	128.00	130.00	—
Uttar Pradesh (Bahraich)													
White	1974-75	150.00	140.00	148.00	175.00	178.00	175.00	170.00	150.00	150.00	157.00	182.00	150.00
	1975-76	150.00	134.00	135.00	135.00	135.00	110.00	110.00	108.00	106.00	107.00	105.00	105.00
	1976-77	100.00	82.00	87.00	88.00	85.00	81.00	90.00	87.00	112.00	120.00	120.00	112.00
	1977-78	110.00	110.00	106.00	115.00	110.00	115.00	118.00	120.00	130.00	135.00	134.00	—

NA — Not available

shift some area at the margin from unirrigated wheat to gram in regions which enjoy a comparative advantage in the production of gram. In the measure, then, the administered price for wheat is now enhanced, it would neutralise the edge given to the price of gram, and if this edge is sought to be maintained, it would call for a further increase in the support price for gram. Here it may be pointed out that the retail price of gram *dal* in the lean months corresponding to the existing support price for gram approximately warks out to between Rs 223 and Rs 233 per quintal, whereas the average market price of *dal* in the lean months of 1977-78 ruled at Rs 232 and Rs 265 per quintal in the important producing states of Madhya Pradesh and Uttar Pradesh respectively. Considering that the efforts to increase the production of gram as indeed of other pulses are being made to bring down their high ruling market prices, how little is the scope for pushing up the level of the floor for the price of gram becomes obvious.

In view of the foregoing, the commission recommends that the procurement price for all the varieties of wheat in the different states for the 1978-79 marketing season be maintained at Rs 110 per quintal.*

As regards incentives for increasing the production of wheat, the emphasis has to be not on attracting more acreage under the crop but on yield increasing measures such as the extension of fertiliser use. In this context, it may be pointed out that the prevailing ratio between the price of N and the administered price of wheat at around 3:1 cannot be considered unfavourable. What is needed is an expansion in irrigational facilities to wheat areas on which fertiliser application is currently very This would not only rais per hectare yield by enco ing fertiliser use but also

*Chaudhuri Randhir Singh, member, is of the view that the procurement price should be raised to Rs 120 per quintal.

TABLE IV

Wheat : Procurement

('000 ton

State	Marketing season (April to March)						
	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	
Bihar	13	2	50	2	51	101	
Gujarat	53	1	—	21	17	137	
Haryana	709	818	586	249	433	907	
Jammu & Kashmir	16	27	19	7	19	15	
Madhya Pradesh	50	65	192	124	138	274	
Maharashtra	—	—	11	20	55	21	
Punjab	2,938	3,179	2,707	1,083	2,361	2,942	3,
Rajasthan	154	46	146	127	185	474	
Uttar Pradesh	1,145	843	816	319	790	1,712	
West Bengal						18	
All-India	5,101	5,006	4,531	1,955	4,049	6,602	5,

* : Relates to the period April, 1977 to February, 1978

Source : Department of Food, ministry of Agriculture and Irrigation.

TABLE V

Public Distribution of Foodgrains

(000 tonnes)

Month	1976				1977*				1978*			
	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
January	233	444	29	706	343	564	48	955	339	735+117	40	1,114+1
February	196	441	30	667	342	607	47	996				
March	229	390	18	637	390	623	52	1,065				
April	238	336	29	603	377	462	50	889				
May	252	322	38	612	380	407	67	854				
June	289	281	58	628	396	384	105	885				
July	330	410	70	810	433	459	98	990				
August	420	489	65	974	447	516	100	1,063				
September	408	511	55	974	433	519	86	1,038				
October	376	463	40	879	394	506+11	59	959+11				
November	369	460	41	870	355	568+51	27	950+51				
December	303	468	43	814	370	614+74	49	1,033+74				
Total	3,643	5,015	516	9,174	4,660	6,229+136	788	11,677+136				

*Provisional +Quantity of wheat returned to Russia against loan

Source : Department of Food, ministry of Agriculture & Irrigation.

he scope for multiple cropping hereby enhancing the total arm income of the cultivating amilies which is sought to be chieved. Side by side, in the rrigated areas where fertiliser pplication is relatively high, he efficiency of fertiliser use eeds to be increased by chieving the desired balance n the application of different ertilisers. As for the price of wheat realised by the growers, the improvement should emanate from an expansion in the effective demand for the cereal via an increase in the income levels of the poor through the employment-oriented development programmes.

(Dharm Narain and
Smt. R Thamarajakshi)

Note by Chaudhri Randhir Singh, member

Agriculture must be made to function like a key industry and treated as such if we are to feed our people squarely and attain self-reliance in its raw material projections and potential. It will be to our nation's great despair, nay peril, if by inadvertence we reduce farming into an uneconomic proposition for our cultivators.

A preponderant majority of our farming community comprises of small and marginal farmers who eke out their living just by making both ends meet. By and large, most of them suffer from chronic and grinding indebtedness. Crops raised with the sweat of their brows are invariably visited by natural calamities (as by hailstorm recently), pests, rodents and what not. With emaciated purchasing capacity poor peasantry is usually equated with rural casual labour, industrial labour having meticulous edge over them in job security, civic amenities and incentives like bonus, overtime, etc.

A sizeable section of marginal farmers subsists below poverty line and the rest are peripheral cases. Their uneconomic holdings are more of a status symbol than a source of substantial income. Population explosion, coupled with existing laws of inheritance and succession are operative factors for further fragmentation and fractionalisation of such holdings. Severe constraints of credit and investment result in low yields therefrom. An unremunerative price at that, adds fuel to the fire.

While formulating pricing policy, our long term objective, inevitably, is to promote social good and extend economic justice to farmers. They should be able to garner a price which protects their basic interests and augments their purchasing capabilities. This should not tantamount to killing a goose which lays the golden eggs.

The government must take a vital policy decision maintaining parity between prices of agricultural and non-agricultural commodities in order to generate and reinforce farmers investment capacity in agriculture, enhance per unit productivity and ensure them equitable return. Risk factor and farm management margins will also have to be provided for.

The Agricultural Prices Commission has no powers to delve deep into the production costs or fix prices of fertilisers, insecticides, agricultural equipment, machinery, seeds and other essential commodities of the cultivators daily use. This could be made possible only if the terms of reference of the Agricultural Prices Commission are expanded or modified, as the case may be, and the case brought within the vortex of its adjudication.

According to popular adage wheat is red because it sucks poor farmer's blood in the form of incessant hard toil and heavy investment. Being mainstay of the farmers economy in wheat surplus states, I am strongly of the view that the present price of wheat at Rs 110 per quintal is inadequate. In Punjab with bonus incentives the farmers were receiving roughly Rs 113 per quintal.

Production costs of wheat in the amount of Rs 101 per quintal as worked out under the Comprehensive Scheme for studying the Cost of Cultivation/Production of Principal Crops relating to 1976-77 for the state of Punjab, do not include risk element and farm management costs. As such these costs are not on all fours or fully comprehensive till this lacuna persists. In view of the above and allowing for risk element and farm management cost, I am of the view that the procurement price of wheat for the ensuing season be fixed at Rs 120 per quintal. An increase to that extent may be subsidised by the government in favour of the vulnerable sections of consumers to negate adverse effects, if any.

Except for what has been stated above, I agree with the report of the commission.

(Chaudhri Randhir Singh)
March 16, 1978

TABLE VI

Estimates of Cost of Cultivation/Production and Related Data for Wheat

Item	Madhya Pradesh	Punjab
	1975-76	1976-77
Cost of cultivation per hectare (Rs)		
A^1	677.38	1,529.08
A_2	677.38	1,631.49
B	1,115.01	2,403.04
C	1,288.99	2,611.89
Yield per hectare (quintals)	12.30	22.74
Value of the main product per hectare (Rs)	1,275.41	2,525.13
Value of the by-product per hectare (Rs)	157.23	306.28
Cost of production per quintal (Rs.)		
A_1	42.12	53.77
A_2	42.12	58.27
B	77.70	92.20
C	91.85	101.39

Notes:
1. The estimates are provisional.
2. Cost of production per quintal is obtained by dividing the cost of cultivation per hectare (net of the value of by-product) by the yield per hectare.
3. Cost A_1 pertains to the paid-out costs or expenses incurred in cash and kind on material inputs, hired human labour, bullock and machine labour (both hired and owned), etc. When rent for leased-in land is added to Cost A_1 one gets Cost A_2, i.e. paid-out costs of a tenant cultivator. Cost B is obtained with the addition to Cost A_2 of imputed rental value of owned land and interest on owned capital, and Cost C, with the further addition of the imputed value of family labour.
4. The above estimates are based on the data collected under the Comprehensive Scheme for Stuying the Cost of Cultivation of Principal Crops. The field data were collected by the Jawaharlal Nehru Krishi Viswavidyalaya, Jabalpur in Madhya Pradesh and Punjab Agricultural University, Ludhiana in Punjab.

APPENDIX

Estimates of cost of cultivation/production of wheat in Haryana and Punjab for 1976-77 made by the Directorate of Economics & Statistics.

The directorate has completed the analysis of data on cost of cultivation/production of wheat in Punjab and Haryana during the 1976-77 crop season. Statements showing the state-level estimates of cost of cultivation per hectare, yield per hectare and the cost of production per quintal are enclosed. The following table shows the comparative position regarding the cost of cultivation per hectare, yield per hectare and cost of production per quintal in respect of these two states from 1971-72 onwards :

Year	Cost of cultivation per hectare (Rs)		Yield per hectare (Qtl)		Cost of production per quintal (Rs)	
	Haryana	Punjab	Haryana	Punjab	Haryana	Punjab
1971-72	1266.10	1769.25	20.98	26.43	49.53	59.71
1972-73	—	1650.54	—	22.66	—	67.10
1973-74	1572.44	2037.14	17.00	24.87	74.83	74.34
1974-75	2294.34	2668.65	21.68	27.00	85.65	87.76
1975-76	2396.65	2632.32	23.15	23.11	83.65	99.45
1976-77	2964.91	2611.89	22.49	22.74	119.03	101.39

It will be seen from the above table that cost of cultivation per hectare has always been lower in Haryana as compared to that of Punjab prior to 1976-77. Cost of production per quintal has also been lower except during 1973-74 when it was about the same in both the states. In 1976-77 there has been a sudden jump in the cost of cultivation in Haryana although the yield has shown a marginal decline. In 1975-76, the cost of cultivation in Haryana was lower by Rs 236 as compared to Punjab while in 1976-77 the picture has been reversed and the cost of cultivation has turned out to be higher by Rs 353 per hectare for Haryana as compared to that for Punjab.

Costs of all inputs, except of fertilizer, are higher in Haryana as compared to those of Punjab during 1976-77. The wages paid to attached farm servants, maintenance cost of bullocks, hiring rates of tractors are also found to be higher in Haryana than in Punjab. Even the average value of capital assets of the farmers in Haryana has been reported to be higher than that in Pubjab. In fact, the entire structure of cost has undergone a complete change in 1976-77.

During 1976-77, the total cost of cultivation per hectare in Haryana has recorded an increase of Rs 568 over 1975-76 though the yield has marginally declined and, as a result, the cost per quintal has gone up from Rs 83.65 in 1975-76 to Rs 119.03 in 1976-77. Such increases in cost of cultivation were noticed in 1974-75 over 1973-74 both in Punjab and Haryana when there was a general increase in the prices of all the input items including fertilizers. But the increase in cost in that year was also accompanied by a corresponding increase in the yield of the grain.

It may be mentioned in this context that the 1976-77 study in Haryana is based on a fresh sample of 20 clusters (of 60 villages and 200 cultivators). The earlier main sample study was conducted in 1971-72 followed by sub-sample studies in the subsequent years up to 1975-76. The data thrown up by the 1976-77 study show a much greater intensity in cultivation of wheat as compared to the picture available from the preceding years' studies. Inputs like irrigation, fertilizer and manures and machine labour are reported to have been used extensively on the sample holdings as compared to the years prior to 1976-77. These four items alone have pushed up the cost by Rs 278 per hectare.

The average dose of fertilizer i.e. 78 kgs of nutrients per hectare during 1976-77 is the highest so far obtained on the basis of the data collected under the scheme. The previous highest was 47.32 kgs per hectare in 1971-72. The table below shows the consumption of fertilizer nutrients (of NPK) in rabi and kharif, based on the state government's figures, and also the estimated consumption on wheat, based on the average doses of fertilizer revealed by the cost of cultivation study and the area under wheat in that state :

	Based on state govt. figures		Based on comprehensive scheme data (Rabi)
	Kharif	Rabi for wheat & other crops)	(For wheat only)
			(in '000 tonnes)
1971-72	23.54	58.59	55.70
1972-73	32.34	61.55	50.98
1973-74	48.18	66.81	—
1974-75	26.46	49.02	31.35
1975-76	24.75	72.17	31.80
1976-77	40.34	96.80	105.05

It will be seen that in all years prior to 1976-77 consumption of fertilizers wheat (based on the Comprehensive Scheme) was lower t the off-take of fertilizer dur the rabi season (based on st government figures) exc during the year 1976-77, wh it turns out to be much high than the off-take. Similar da for Punjab show that the es mated consumption based the average fertilizer inp per hectare under the compr hensive scheme was genera higher than the off-take r ported by the state gover ment every year. In 1975-7 only 70 per cent of cultivato used fertilizer while in 1976-7 all the sample cultivators ar reported to have used fert lizer. Similarly, 68 per cen of cultivators used hired trac tors in 1976-77 as compare to 44 per cent in 1975-76 There has been a little change i the physical, input of human labour and animal labour used per hectare in the differen years but the average wages of human labour and the maintenance cost of owned bullock have shown an increase of as much as 47 per cent each over the previous year which have resulted in an increase of Rs 366 on account of these two items of inputs. The sample cul-

vators studied during 1976-77 e reported to have capital sets (tractors, pump-sets, reshers etc.) of higher values compared to the sample ultivators studied during 1975-6 and as a result the interest charged on the fixed capital for the year 1976-77 has turned out to be higher by Rs 74 per hectare.

In view of the changes noticed in the entire structure of cost in the case of Haryana in 1976-77, it seems desirable to have a thorough look into the basic data before these estimates can be finalised. For this purpose, the estimates are being referred to the implementing agency for further verification of data.

The cost estimates for 1976-77 in respect of both Haryana and Punjab may be treated as provisional

No study on wheat was conducted in UP during 1976-77.

Estimate of Cost of Cultivation/Production and Related Data for Wheat: 1976-77

	Haryana	Punjab
Cost of cultivation per hectare (Rs)		
A^1	1566.91	1529.08
A_2	1630.53	1631.49
B	2418.54	2403.04
C	2964.91	2611.89
Yield per hectare (quintals)	22.49	22.74
Value of the main product per hectare(Rs)	2473.03	2525.13
Value of the by-product per hectare (Rs)	287.78	306.28
Cost of production per quintal (Rs)		
A_1	56.87	53.77
A^2	59.70	58.27
B	94.74	92.20
C	119.03	101.39

Notes: 1. Cost of production per quintal is obtained by dividing the cost of cultivation per hectare (net of the value of by product) by the yield per hectare.

2. Cost A_1 pertains to the paid-out costs or expenses incurred in cash and kind on material inputs, hired human labour, bullock and machine labour, both hired and owned), etc. When rent for leased-in land is added to Cost A_1, one gets Cost A_2, i.e. paid out costs of a tenant cultivator. Cost B is obtained with the addition to Cost A_2 of imputed rental value of owned land and interest on owned fixed capital, and total cost, i.e. Cost C, with a further addition of the imputed value of the family labour.

Material and Labour Input Per Hectare of Wheat: 1976-77

Item	Unit	Haryana	Punjab
Seed	(Kgs)	108.56	89.13
Fertilizer	(Kgs of Nuterients)	77.87	119.08
Manure	(Qunitals)	8.18	8.97
Human labour	(Hours)	595.61	461.76
Animal labour	(Pair hours)	128.24	92.60

Break-up of Cost of Cultivation per Hectare of Wheat: 1976-77

(Rs per hectare)

Cost items	Haryana	Punjab
Operational Cost	2041.71	1677.56
Human Labour		
Casual	71.85	200.97
Attached	73.88	57.22
Family	546.37	208.85
Total	692.10	467.04
Bullock Labour		
Hired	1.97	0.20
Owned	425.51	250.88
Total	427.48	251.08
Machine Labour		
Hired	105.25	60.77
Owned	61.07	91.33
Total	166.32	152.10
Seed	139.83	120.97
Fertilizer and Manure		
Fertilizer	292.39	440.96
Manure	13.76	11.50
Total	306.15	452.46
Insecticides	—	0.01
Irrigation Charges	264.52	181.54
Miscellaneous Expenditure	—	7.86
Interest on Working Capital	45.31	44.50
Fixed Cost	923.20	934.33
Rental Value of Owned Land	549.09	615.78
Rent Paid for Leased-in Land	63.62	102.40
Land Revenue, Cesses and Taxes	10.91	4.77
Depreciation on Implements and Farm Buildings	60.66	55.60
Interest on Fixed Capital	238.92	155.78
Total Cost	2964.91	2611.89

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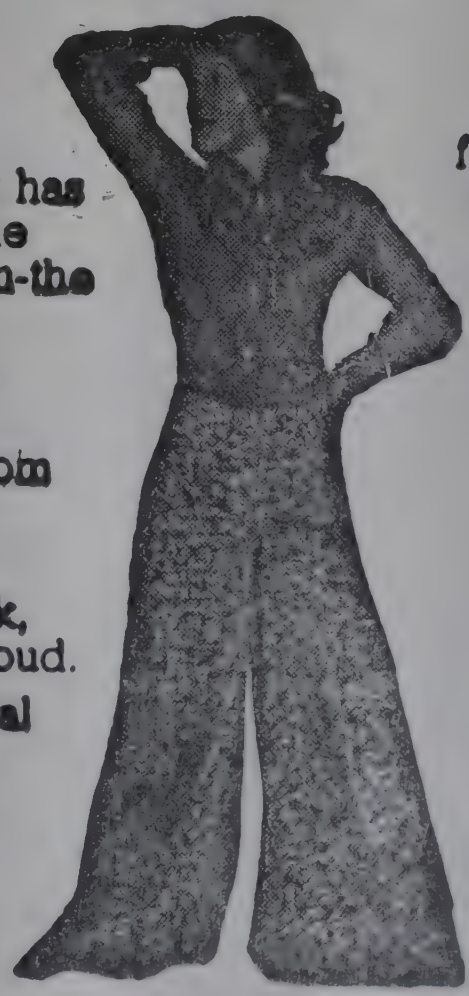

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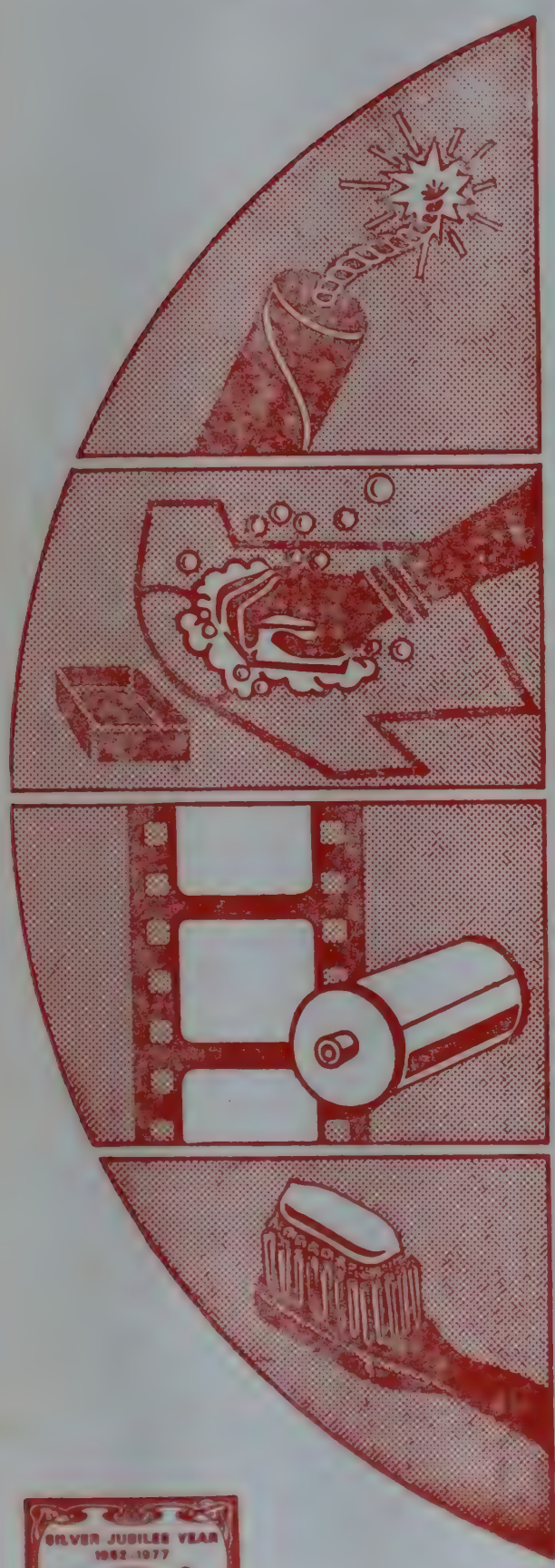

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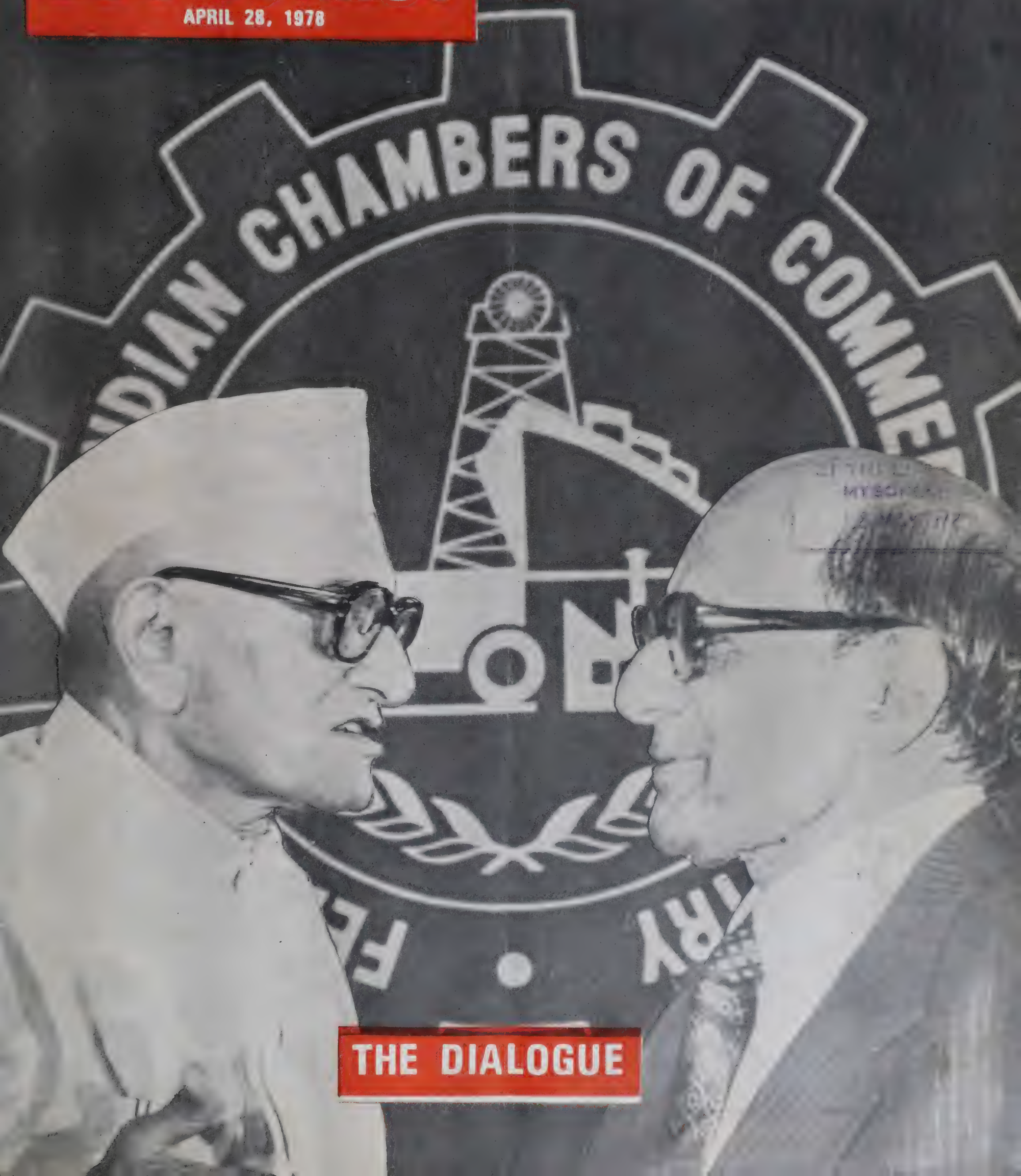

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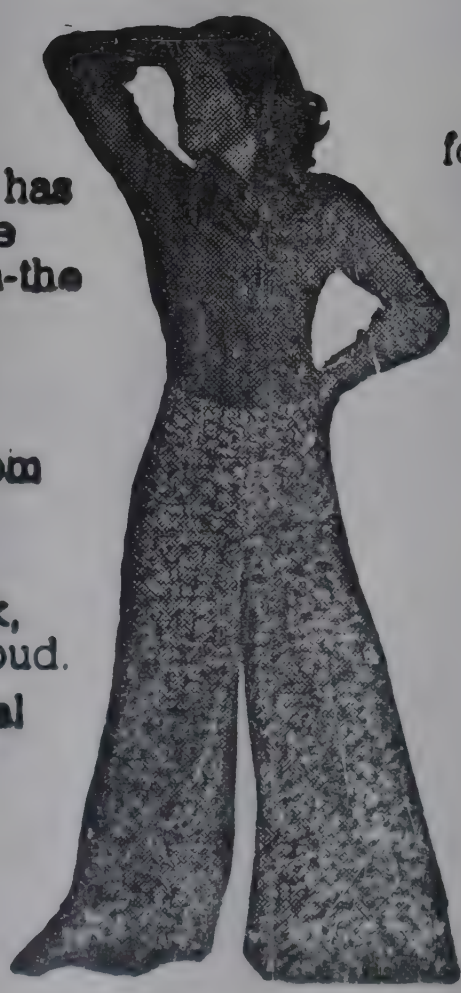

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What a dialogue?

THE ANNUAL session of the Federation of Indian Chambers of Commerce and Industry (FICCI) presents every year an opportunity for an open debate between the government on the one hand and the industry and trade on the other. This year's session—51st in number—proved to be an exception. No attempt was made by the prime minister, Mr Morarji Desai, who inaugurated the annual meeting, or the other ministers who took part in the three-day session, to answer some of the criticism directed at the economic policies of the Janata government. The two sides stated their positions, the ministers including the prime minister in a rather aggressive manner, and that was that. The grievances listed by the outgoing president of the FICCI, Mr B.P. Poddar, in his presidential address brought forth the remark from the prime minister that confrontation would not help solve any problem and that there was need for a mutual understanding of the basic goals and national priorities.

Despite his aversion to inaugural functions, the prime minister had agreed to inaugurate the 51st session of the FICCI "in order not to be dubbed as obstinate", as he put it in a lighter vein. However, he hastened to add that he would not be able to inaugurate the next year's FICCI session—a warning signal hoisted 12 months ahead of the due date. Incidentally, this also shows his confidence in the stability of the Janata government and his unquestioned position in it, despite the recent in-fighting that has been witnessed at the highest levels of this year-old government.

In a way, the FICCI session did serve one purpose; it provided a forum to the government and the representatives of industry and trade to put their respective points of view before the public even though they mostly operated at different wavelengths. The industry, for example, is extremely worried about the fall in the rate of growth in industrial production. Mr Poddar pointed out in his address that the production of industrial goods last year would have been higher by about Rs 1500 crores if the decline in the pace of industrial growth had not taken place. He also listed the reasons for the drop in the rate of industrial expansion. In fact, a special resolution passed by the FICCI categorically stated that power shortage and labour unrest had brought down industrial activity in the country and that soon its impact would be felt in the agricultural sector as well. What was rather alarming was that this slow-down would tend to reduce the capacity of the economy to generate additional employment opportunities. Unfortunately, the prime minister, Mr Desai, did not touch this subject in his extempore speech. Neither Mr Biju Patnaik, the central minister for Steel and Mines, nor Mr George Fernandes, the central Industry minister, made an attempt to explain the causes of the downturn in the rate of industrial activity; they also did not indicate the steps currently being taken by the government to cut out losses caused by power shortage and labour unrest. However, both Mr Biju Patnaik and Mr George Fernandes mounted an attack on the family ownership of business. Mr Fernandes cited some statistics to drive home his point. He said that in 1976, eight per cent of the companies were responsible for 41.3 per cent of sales and 61 per cent of profits after tax. And from these figures he drew the conclusion that it was the stranglehold of big business houses which was hampering industrial growth. He glibly overlooked the point that these statistics demonstrated the unquestioned efficiency of these companies which tended not only to hasten industrial growth and generate employment opportunities but also to fill the coffers of the central exchequer through confiscatory rates of taxation. Mr Patnaik, on the other hand, was candid enough to concede that the MRTP law was designed to stifle the growth of the big business houses without regard to its impact on the overall growth of the economy.

Even after a year-long rule at the centre, some of the ministers have not been able to get out of the mental grooves in which they operated for years on end. Take the case of Mr George Fernandes. He seems to feel that he is still a labour leader

and that the problem of labour unrest in the country can be tackled by talking it over with workers. He therefore suggested at the FICCI session that a meeting of workers from all over the country representing the entire labour force should be organised to discuss important economic issues so as to bring about an agreement on a mutually beneficial policy. Surely, this is a naive way of looking at a problem which is eating into the vitals of this country. The large number of labour groups in the country and the multiplicity of labour unions in individual units has baffled not only the managements but also the labour ministers both at the centre and in the states. Perhaps Mr Fernandes had better talk this problem over with his cabinet colleague, Mr Ravindra Varma, who despite his best efforts has failed to contain labour unrest largely because of the intransigent attitude adopted by workers. During the emergency, the managements might have been harsh to workers. Now the workers have definitely swung the pendulum of industrial relations to the other extreme. No amount of discussions across the table would bring about harmony in industrial relations in the current mood of labour unions.

right to property

Mr Poddar made a reference to the decision of the government to abolish, through a constitutional amendment, the fundamental right to property which, in his view, "is essential for the survival of the basic rights of the citizen." The prime minister failed to react to this viewpoint. Perhaps the Janata government is keen to demonstrate that it is more socialistic (whatever that word may mean) than Mrs Indira Gandhi's government.

But this was not the only point in Mr Poddar's address which remained unanswered. For instance, his reference to the cotton textile industry still being burdened with the production of uneconomic controlled cloth evoked no comment from Mr Desai. Nor had he any rational explanation for the failure of the nationalised coal industry to supply the requisite quantity of coal to keep the wheels of industry moving. Be that as it may, the Janata government cannot simply brush aside the complaints of industry and trade. The three-day FICCI session may not have proved a good meeting ground for a dialogue between the government and the industry and trade but the dialogue must continue in the nation interest till amicable solutions are fou for the problems which bedevil o economy.

Production constraints

EVEN THOUGH the rate of industrial growth last year decelerated quite significantly to between six and seven per cent as compared to 10.7 per cent in the previous year, the production constraints resolution of the Federation of Indian Chambers of Commerce and Industry (FICCI) at its 51st annual session has called for concerted action primarily in two fields, namely, power and industrial relations. This perhaps has been done owing to the situation in regard to the other major constraints which used to be talked about till about a couple of years ago having improved considerably. These include raw material shortages and transport bottlenecks.

As a sequel to agricultural production registering sizeable increases in the last two years and the liberalisation effected in the import policy, thanks to a comfortable foreign exchange position, raw material supplies do not pose much of a problem. The performance of the railways too has improved substantially and wagon availability is not much of a headache. Action has also been initiated to streamline and rationalise controls on the economy. The constraints on industrial production emanating from this source should be taken care of during the course of this year. Attempts are being made to gradually bring down production costs through such measures as lowering of interest rates and customs duties.

The above should suggest that the two major constraints on production currently, indeed, are inadequacy of power and deterioration in industrial relations during the post-emergency period. To some extent, this obviously could not be avoided with the restoration of democratic norms and processes in the country. But it will be erroneous to assume that the restoration of democracy alone has been responsible for the re-emergence of these two major bottlenecks in the way of raising industrial output.

So far as power is concerned, it is n merely its overall inadequacy that affecting the industrial sector. The fr quent interruptions in supply are als causing serious problems. The power su ply position is stated to be particular acute in the northern region, though leaves much to be desired in several oth parts of the country as well. Apart fro the inordinate delays that have been tak ing place in the completion of new pow projects, despite improved competenc in implementing the schemes, two othe issues are to be contended with on th front. The first is the overriding priorit being provided to the power requirement of the agricultural sector. The second the inadequate utilisation of the installe capacity. The transmission losses als are unduly high in some parts of th country; they amount to twice as much a the global norms. Another major reaso that has caused accentuation of powe scarcity over the years is the grant of ne connections in utter disregard of the ris in generation capacity. The imbalanc between demand and supply has bee growing. The situation assumes alarmin proportions every time hydel generatio suffers a setback as a result of drought o insufficient rains.

As regards industrial relations, althoug the increase in the mandays lost due t strikes, lockouts, go-slow tactics, etc, t about 16 million in 1977 from nearly 1 million in the previous year is not a startling as is made out in certain circles taking into consideration the fact that th pent-up feelings of the working class ha to find an expression during the post emergency period, yet there are some ten dencies towards which eyes cannot b shut. Notwithstanding the fact that the go vernment has categorically expressed itsel

ainst gheraos, they still continue. Several stances have also been witnessed in the cent months of violence against manage-ent personnel. Inter-union rivalries have t accentuated and industrial harmony s been given a jolt, quite often, on msy grounds. Another off-shoot of ion rivalries is the exaggeration of orkers' grievances and pitching of their aims at high levels in utter disregard of conomic considerations. At some places, e strong arm tactics used by certain mployers have provoked clashes between orkers and the security personnel which ould well have been avoided.

It, of course, is heartening to note that ne Janata government is not oblivious to he havoc that power shortages and labour nrest have been causing on the industrial ront. Action has already been initiated n respect of both these constraints.

allocation for power

With a view to overcoming power short-ge, the allocation for the development of power during the current (sixth) Plan has been stepped up markedly in comparison with the fifth Plan. Currently the gene-ration capacity aggregates to about 26,000 MWs. It is proposed to be raised to 44,500 MWs by 1982-83. The demand for power during that year, estimated around 129 billion units at the consuming end, it is felt, will necessitate generation of about 167 billion units. If the transmis-sion losses can be contained within reason-able limits, the envisaged 44,500 MWs capacity should suffice to eliminate power shortages. To tackle the problem of fre-quent interruptions in supply, the trans-mission system is being strengthened.

The raising of the generation capacity by 18,500 MWs in the next five years, of course, is a challenging task. But it is by no means beyond accomplishment. Additional capacity to the extent of as much as 10,500 MWs is already under implementation. Adequate finances hav-ing been allocated for the completion of these ongoing schemes, they can defini-tely be expected to materialise. So far as the remainder requirements are con-cerned, the significant point to be noted is that most of the new projects are not only to be of much larger standard size (210 MW) than those already installed but also provision has been made for greater central generation in the form of super-thermal stations. The 500 MW thermal station of Tatas has already been cleared. Green signal has been given for at least four super-thermal stations to be set up in the public sector. One of these—at Singrauli—will fully materialise by 1982-83. As a result of all this, the share of central generation in the overall capacity is expected to go up to 10 per cent by March, 1983, from about seven per cent at present.

useful decisions

Another very significant and useful decision that has been taken recently to expedite creation of new generation capa-city, is the allowing of imports of equip-ment in case adequate supplies are not available from domestic sources. Seve-ral inter-state disputes over the construc-tion of hydel stations have also been re-solved. These include the one relating to the Thein dam. The recent agree-ment with Pakistan on the Salal dam project too should be helpful in expedit-ing the work on this important scheme. The preparatory work on most of the new projects to be taken up has been completed in much greater details than had been the case in the past. This should cut down delay in implementa-tion.

The expectations about the additions of the generation capacity during the next five years, thus, cannot be said to be mis-placed. But it will be presumptuous to assume that, during the next couple of years, the power supply position will ease markedly unless concerted efforts are made to improve the utilisation of the already installed capacities.

There, indeed, is good scope for im-proving the operations of the existing plants. Several steps have been taken in this regard. These include preventive maintenance and stocking of adequate spares and components for expediting repairs. But there can be no denying the fact that several malpractices—too well-known to be dwelt upon here—in the distribution field have to be weeded out.

Some of the recommendations made by the FICCI to meet power shortages in the immediate future are quite judi-cious. These are (i) entrusting of the management of electricity undertakings to professional managers, (ii) reduction of electricity tariff to induce industry to operate during off peak hours, and (iii) concerted efforts on the part of the industry towards avoidance of wastages of power. The plea of the FICCI that strikes, go-slows and work-to-rule agitations should be totally ban-ned in the power sector, it being an essential service, however, cannot be expected to evoke much response in a democratic set-up, which provides some rights to the work-force. The streamlining of the machinery for the redressal of workers' grievances, of course, can be helpful to some extent.

private units

The suggestion of the FICCI that power generation by private electricity under-takings should be encouraged and assist-ed also can be expected to encounter resistance because under the Industrial Policy Resolution, generation is primarily reserved for the public sector. The establishment of captive units, particular-ly in industries which consume large amounts of power, however, needs to be fostered. The exemption granted to such units from the excise duty on elec-tricity generation which has been imposed by the Finance minister this year, in it-self is a good inducement for setting up captive power stations. Success in this connection, of course, can be achieved only if adequate financial help is made available by governmental institutions at

Let those over sixty retire. Let the younger element finish the fight with more verve.

reasonable terms to those who may like to set up captive generation facilities.

The proposed comprehensive industrial relations legislation should go a long way in improving the labour situation in the country. Efforts also need to be made to contain the political influence on the trade union movement. The current labour unrest in several parts of the country apparently has political overtones.

Was the last deficit exaggerated ?

THE WAYS and means position of the central government had never been so comfortable as it has been in the past few months. Central government deposits with the Reserve Bank stood at the unprecedentedly high level of Rs 2759.91 crores on March 31, 1978, against Rs 845.99 crores on April 1, 1977. The trends in these deposits in earlier months did not give rise to the impression that the central exchequer will have an embarrassing surfeit of resources in the closing weeks of the 1977-78 financial year though there was no suggestion at any time that the Finance ministry had difficulty in meeting its commitment. Indeed there was no problem in regard to the availability of funds at any stage as revenues were being collected in accordance with budget estimates and borrowings through open market loans were highly successful. The shortfalls in revenue and capital receipts as a result of adjustments in excise duties and the refund of a portion of compulsory deposits were more than offset by increases in non-tax revenues and larger receipts out of small savings and through open market loans.

nominal deficit

It was not expected however that it would be possible to avoid a large overall deficit because of the decision to avoid taking credit for the loan in foreign exchange to the extent of Rs 800 crores from the Reserve Bank. This decision was mainly responsible for the enlargement of the overall deficit in the revised estimates for 1977-78 to Rs 975 crores from Rs 84 crores (budget). If the non-availability of credit for Rs 800 crores in the form of rupee counterpart funds by drawing down foreign exchange reserves is borne in mind, the enlargement of deficit is technically to Rs 175 crores from Rs 84 crores. This deterioration in the budgetary position cannot be considered significant in view of the fact that total budgetary disbursements were Rs 16,344 crores (revised)!

main question

The question now is whether the accounts for 1977-78 will disclose a fundamentally different position. At the end of January this year central government deposits stood at only Rs 82.63 crores. They have shot up by nearly Rs 2,000 crores in a little over two months. How this bulge has taken place has not been satisfactorily explained. In view of the comfortable ways and means position the Reserve Bank did not effect reissues of loans of the central government in the first quarter of this year as it did in the corresponding period in 1977. The non-floatation of loans however did not preclude the government from getting additional resources as the scheduled commercial banks were experiencing difficulties in finding remunerative outlets for their funds. With a tame busy season and a fast rise in bank deposits there were investible funds.

As the centre had also maintained some parts of its resources with the banking system and these were transferred to the Reserve Bank account in the closing weeks, there was a sharp rise in centre's deposits on March 31, 1978 as stated above especially as there were tax collections and fresh investments in treasury bills. In view of these developments it can be said that the government is not anxious to issue terminable loans in order to save interest charges. The required funds were nevertheless available because of the compulsion for banks to invest in treasury bills. This is an unusual feature for the banking system at a time when it would have been extremely preoccupied with expansion of credit for meeting seasonal requirements. Apart from the slower demand for funds the centre also was keen to reduce outstanding food credit by using part of the budgetary resources for this purpose. This is the reason why outstanding procurement credit extended by scheduled commercial banks on March 31, 1978 was lower as compared to April 1, 1977, even though buffer stocks were higher on balance.

floating debt

Even with the large disbursements in the past few weeks central government deposits stood at Rs 2435.98 on April 7, 1978. It is unthinkable that this large amount will be spent by the first week of May through payments against outstanding bills. There may of course be liberal assistance to state governments as the budgetary deficit of many states were sizable and the overdrafts of all states with the Reserve Bank on March 31 were quite high at Rs 290.43 crores. There was further rise under this head to Rs 520.30 crores on April 7, 1978. Even granting that about Rs 400 crores may be utilised by the centre for wiping out state overdrafts and about Rs 700/800 crores will be used for making "payments," as was done in the corresponding period last year, centre's deposits are likely to be around Rs 800 crores in the first week of May unless there are cancellations of earlier ad-hoc securities in the meantime. Incidentally the increase in the floating debt to Rs 8619 crores from Rs 5037 crores, between March 31, 1977 and January 27, 1978 was mainly on account of banks, their share in the floating debt rising by Rs 3064 crores to Rs 4207 crores. The Reserve Bank's share was higher by only Rs 185 crores at Rs 3451 crores, and as compared to April 1, 1977 there was actually a decline of Rs 140 crores. What do these changes connote?

It is hard to believe that the banking system would have invested Rs 3064 crores on their own account especially when the cash balances with the Reserve Bank

ave recorded a decline in the same eriod. There must have been other ad-stments which have special significance. Vhatever may be the final changes, the ict cannot be disputed that the central udget revised estimates presented an nduly dismal picture and gave rise to the riticism that there had been heavy eficit financing with its adverse conse-quences. If the above prognosis is correct he account should disclose only a small overall deficit for 1977-78 and it may not be surprising even if there is a mar-ginal surplus.

It has always happened in the past that the actual deficit has been less than the revised and budget deficits for a parti-cular year except on peculiar occasions. In 1976-77 the budget deficit was Rs 328 crores and the revised deficit Rs 425 crores while the actual deficit was only Rs 134.68 crores. In 1975-76 these defi-cits were Rs 247 crores, Rs 490 crores and Rs 367.50 crores respectively. In the two previous years there were no similar movements in the centre's depo-sits or the floating debt. And, central government deposits did not rise to the levels of March 31, 1978 at any time in recent memory.

inexcusable shortfall

The wide divergence between revised estimates and actuals for 1977-78 should be due to an improvement in revenue and capital receipts and a sharp decline in Plan outlay. The centre failed to make good use of available resources though the states were helped to fulfil their responsibilities to a great extent only with liberal aid. Even so it is likely that the Plan targets were not exceeded. The shortfall in the central sector is in-excusable as there was no dearth of phy-sical or financial resources.

It is therefore imperative that strenuous efforts are made in 1978-79 to step up plan outlay as an improved budgetary position for 1977-78 should help the ex-chequer to act boldly. The question of deficit financing will arise only later in the year, when available resources have been fully utilised. Even here the punitive tax effort of Mr H.M. Patel and the scope for borrowing heavily from banks will not necessitate creation of currency at any stage. The changes in the central govern-ment deposits in the next few weeks have therefore special significance. As there is also scope for raising resources through gold sales, an accentuation of inflationary pressures will come about only with in-flationary spending and failure to elimi-nate scarcities of vital products as and when they arise, through higher production and larger imports. The new opportunity for ambitious economic development should not be missed.

Self-reliance for cooperatives

THE PRE-EMINENT place provided in the sixth five-year Plan to the development of agriculture and the decentralised industrial sector warrants accelerating the growth of cooperatives in the country. In a demo-cratic set-up, they have the merit of com-bining freedom and opportunity for the small entrepreneurs with the benefit of large-scale management and organisation. It, therefore, is not surprising that a good deal of thought was bestowed last week, at an all-India congress organised in New Delhi by the National Agricultural Co-operative Marketing Federation of India (NAFED), on the problems facing the co-operative movement.

Notwithstanding the fact that efforts at fostering cooperatives came to be made over 50 years ago and considerable pro-gress has been achieved on this front since independence, not only in the geographi-cal spread of cooperatives but also in respect of their activities, it will be erroneous to assume that all is well with the movement. A review presented to the last week's congress suggests that co-operatives still suffer from many weak-nesses and that their success is confined only to some states and in regard of some of their operations.

expanded activities

Starting with provision of credit to the vulnerable sections of the rural society, cooperatives in this country have branched into various other fields. In the interest of protecting the small entrepreneurs, whether in agriculture or industry, they have taken to supply of inputs as well the processing and marketing of agricultural and industrial products. They have also embarked upon the sale of some essential items of consumption with a view to con-taining the prices spiral. In fact, besides provision of credit, these are the three main activities they are expected to under-take in an increasing measure in the future.

multiplied number

With the growth of their activities, the number of cooperatives has multiplied fast. A three-tier system has been evolved to strengthen their operations at the primary, state and national levels. But the main weakness they suffer from is their excessive dependence on the govern-ment. This is evident from the fact that their success in two major fields—provi-sion of agricultural and industrial inputs and the marketing of products—they have to depend to an overwhelming extent on governmental policy. Bulk of the supply of agricultural inputs by cooperatives to the farmers is accounted for by chemical fertilisers, improved seeds, pesticides and insecticides. This is because the govern-ment has been deliberately channeling to the extent possible marketing of these inputs through cooperatives. In the marketing of farm products, the progress has been spectacular only in areas where cooperatives have been made the agents for procurement, for instance, of wheat, cotton and paddy. In the case of oilseeds, the NAFED has been allocated a major role; so also in respect of stabilising the prices of pulses, onions, potatoes and seedlac.

As a result of the above, while the pro-gress of cooperatives has been quite impressive in such states as Punjab, Haryana, western Uttar Pradesh, Maha-rashtra and Gujarat, it leaves much to be desired in the other parts of the country. In such states as Maharashtra, Gujarat and Tamil Nadu, cooperative have also

succeeded to a significant extent due to such factors as general consciousness about the benefits accruing from them due to their going into the manufacture of sugar, dairy development and the handloom sector. Another shining example of the success of cooperatives is the Indian Farmers' Fertilisers Co-operative which has already set up sizeable fertiliser manufacturing facilities in Gujarat and is putting up a large-sized similar project at Phulpur, in Uttar Pradesh. It has further plans to extend its activities in the near future.

manufacturing activity

Cooperatives have also gone in for processing and manufacturing activities in the case of fruits and vegetables, oil and dal milling, paddy husking, etc, in several other states. They have as well made considerable headway in the plantation industry. But all this does not alter the picture very materially. On their own, they have been able to embark upon their useful activities comparatively on a limited scale. To some extent, this is due to their becoming adjuncts of the governmental policy, which function, of course, has been, by and large, performed by them fairly creditably. Undertaking of agency work on behalf of such governmental undertakings as the Food Corporation of India, the Jute Corporation, the Cotton Corporation, etc, invariably has meant neglect of their other activities and has also led to financial stringency.

The organisation of the marketing of agricultural and industrial products on their own has been another major weakness of cooperatives. In the agricultural field, nearly 30 per cent of the primary societies, it is reported, are not at all engaging themselves in this task. Excessive dependence on government has also led to the share of the primary societies in agricultural marketing going down in recent years in comparison with the state level and national bodies. Another major reason for this phenomenon is that whereas the state level and national organisations have been able to provide storage and processing facilities, the primary societies have not been able to do so unless active support was available to them from these organisations. This support has been available only in some states and not everywhere in the country.

The overall financial resources available to cooperatives have been yet another major constraint in extending their activities. The resources they have at present are said to be just sufficient to meet the growing requirements of their distribution activities in respect of agricultural inputs and consumer articles, and in some cases, procurement of foodgrains, wherever the scheme of procurement is in operation. The manning of cooperatives too leaves much to be desired at present. The key personnel for them are very frequently drawn from government services on deputation and no concerted efforts have been made to create a trained cadre of cooperators. Instances of malpractices in cooperatives are also not wanting.

The development of a healthy cooperative movement to fulfil the tasks being entrusted to it under the new planning strategies, therefore, is not going to be an easy proposition. Whereas governmental support to the operations of cooperatives has to be continued for some time, every effort ought to be made to make them self-reliant as expeditiously as possible. This warrants the creation of a cadre of dedicated cooperators through intensive training. Depoliticalisation of the movement also is urgently called for in many parts of the country.

With a view to stabilising their operations on a long-term basis, especiaily in the marketing field, it will be desirable that a specific role is assigned to cooperatives instead of calling upon them in times of emergencies to undertake procurement or marketing operations. Ad hoc directives need to be avoided.

Cooperatives must now also go in for processing and manufacturing activities on an ambitious scale so that they can have their own dependable sources of supplies. Till these operations grow significantly, they should be helped to arrange adequate supplies from the other units, both in the public and private sectors. When production surpluses are there, they may not experience any difficulty in arranging supplies. But difficulties do arise in times of shortages when the role of cooperatives assumes heightened importance. Co-ordination among the various layers of coperatives has to be made much more effective than at present.

Eastern Economist 30 Years Ago

APRIL 30, 1948

Exactly three months after the first instalment of progressive de-control of textiles, the Government of India have now come forward with another big instalment of de-control. Although certain vestiges still remain, chief among them being the continuance of regional quotas, cloth control has been for all practical purposes well and truly buried. There is a certain melancholy comfort in the fact that when last year-end the Government's progressive policy of de-control was examined in these columns, we foresaw certain adverse consequences which have all come to materialise. With regard to both food and cloth we suggested that the shortage was real and acute and that the withdrawal of controls would therefore not be effective in establishing an equilibrium between demand and supply on a basis of reasonable prices. This in fact is what has happened and it is the sharp rise in cloth prices following the partial de-control announced on January 20 which provides the raison de'etre behind the latest announcement of the Government.

The central provision of that statement is the abandonment of the gentleman's agreement between the Government and the industry whereby the latter bound itself at the time of the partial de-control of January 20 to maintain reasonable prices on a voluntary basis. The voluntary price marking of cloth has now been abolished. This is an almost inevitable result of the prevailing conditions in the piece-goods market.

CAPITAL'S CORRIDORS

R. C. Ummat

New orientation to farming • Coal movement • RITES' progress • Oil refining

THE COMFORTABLE food supply position in the country at present, not only resulting from a sizeable buffer stock that has already been built but also from the sharp increase in production during the current agricultural year, provides an opportunity to go in for proper crop planning and land use. The buffer stock of foodgrains amounted to as much as 16.3 million tonnes on March 1. Even if there have been normal releases to fair price shops of the order of 11 lakh tonnes per month during March and April, it would have been drawn down to approximately 14 million tonnes by the end of the current month. Meanwhile, procurement of rabi grains has started. It is expected that the stock would grow again to about 21 million tonnes by early July. The buffer stocking policy of the government envisages a foodgrains buffer of the order of 12 million tonnes. In addition to this, an operational stock between 3.5/3.8 million tonnes and 8.2/8.8 million tonnes has to be kept.

As a sequel to the foodgrains production scaling a new peak this year—it may slightly exceed 125 million tonnes—the procurement of rabi grains is anticipated to touch six million tonnes, if not more, as against approximately 5.2 million tonnes last year. The previous peak in production—121 million tonnes—was attained in 1975-76. The estimated output of 125 million tonnes this year exceeds the last year's output by about 14 million tonnes. The last kharif crop is estimated to have been around 77.39 million tonnes. The preliminary estimate of the current rabi crop puts the output at 48.3 million tonnes, taking the total production this year to 125.69 million tonnes. Wheat output is expected to be slightly more than 30 million tonnes.

The record production this year is said to have resulted from various factors, particularly sizeable increases in the area under irrigation as well as in the application of fertilisers and pesticides. The consumption of fertilisers is estimated to have gone up by 4.2 million tonnes and the acreage under irrigation by 2.8 million hectares. A significant increase has also been recorded in the provision of credit to farmers. The outstanding credit approximates Rs 2,000 crores—Rs 300 crores more than last year.

extension facilities

The scheme to introduce proper crop planning and land use envisages strengthening of extension facilities to educate the farmers in the best use of their holdings as well as the utilisation of support price mechanism. The terms of reference of the Agricultural Prices Commission may have to be recast with the latter purpose in view.

The present comfortable foodgrains situation, it is felt, can also be utilised for stepping up the production of pulses and oilseeds. Some steps have been taken in this connection in the recent months. These include raising of the support price for gram last year to Rs 125 per quintal (from Rs 75 in the previous year); introduction of price support for mustard, groundnuts, etc; educating farmers in dry farming techniques; expansion of area under these two crops and encouraging the farmers to grow to some extent these crops even on irrigated lands. As a result of the increase in the support price for gram, the output of this product is said to have recorded a significant increase this year.

The ministry of Agriculture has planned regional meetings of Agricultural Commissioners and other senior officials of the states to discuss, among other development programmes, the steps that can be taken for crop planning. These meetings are envisaged to be held in June and July.

With a view to providing further thrust to developmental efforts, assistance to small farmers this year is proposed to be increased considerably so as to benefit at least one million families. This programme was started in 1971-72 and has till now benefited about half a million families.

For the acceleration of the developmental effort in general through the use of the foodgrains stocks, the food-for-work programme is envisaged to be vigorously pursued in all the states, particularly those where the progress of the programme has not yet come up to expectations. So far, 150,000 tonnes of wheat have been utilised for this scheme and the progress has been encouraging only in West Bengal, Orissa and Uttar Pradesh. It is hoped that it will be possible to use nearly a million tonnes of foodgrains for this programme during the current financial year. The programme has been modified a great deal in the recent months and allocations under it are available for any type of developmental work—planned or non-planned—and throughout the year.

Although the minister for Agriculture, Mr Surjit Singh Barnala, observed recently that despite the comfortable food position in the country, the government was not contemplating any exports of foodgrains on commercial basis, apart from some exports of superior quality basmati rice and of wheat under such arrangements as those entered into with Vietnam, Afghanistan and Indonesia, some exports of wheat products cannot be ruled out. The repayment of the Soviet Union's wheat loan in kind is being pursued vigorously. About 400,000 tonnes of wheat had already been despatched to the Soviet Union during 1977-78. The remaining quantity of about 1.5 million tonnes is likely to be shipped during the current year.

* *

A new dimension has been added by the 1977-78 operational results of Coal India, released last week, to the recent complaint of the minister for Railways, Mr Madhu Dandavate, that enough coal was not available during the second half

of last year for movement by railways. The minister had alleged that this was having an adverse effect on the turn-round of wagons from the coalfields.

According to Mr Dandavate, the decline in pithead stocks last year was partly responsible for the above phenomenon.

Very significantly, Coal India has brought out that despatches by road last year increased by as much as 90 per cent over the previous year, while despatches by rail were 2.5 per cent higher. Wagon loading improved from an average of 8,168 wagons per day in 1976-77 to 8,371 wagons a day in 1977-78. This implies that notwithstanding some decline in stocks at the pitheads, enough coal was available for movement to the consuming areas both by road and rail transport. The overall coal consumption last year is stated to have registered an increase of five per cent over 1976-77.

The results of Coal India, now available, reveal that with the pick-up in production, after a small setback due to deterioration in industrial relations and power shortage up to November 1, the stocks at pitheads have again gone up by three million tonnes to 11.2 million tonnes.

coal target

As mentioned earlier in this column, the target for the production of coal this year has been set at 113 million tonnes, out of which Coal India will be required to produce 100.5 million tonnes. This compares with an output of 101.5 million tonnes in 1977-78, to which the contribution of Coal India was 89 million tonnes. The envisaged step-up in production, it is stressed, will keep the coal supply position quite comfortable during the whole of the current year. An investment of Rs 206 crores has been planned to raise the production of Coal India from 89 million tonnes last year to about 101 million tonnes this year.

With a view to keeping up the tempo of developmental activity, Coal India finalised last year 22 feasibility project reports, which, when implemented at a cost of Rs 266 crores, will yield 17.1 million tonnes of coal per annum. Approximately 8.72 million tonnes are expected to be produced from nearly 47 new mines which have been opened up recently or might go into production this year.

* * *

The Rail India Technical and Economic Services Limited (RITES), a subsidiary of Indian Railways, which was formed in 1974 to render consultancy services in India as well as abroad in all fields of railway technology, has already made its mark in south-east and west Asia as well as in Africa. It received instantaneous recognition when it was listed as an approved agency in the field by such world organisations as the Asian Development Bank, the International Bank for Reconstruction and Development, the United Nations Industrial Development Organisation, the United Nations Development Programme and the Inter-American Development Bank. It has already secured within its short existence as many as 11 consultancy contracts from abroad. These are :

(i) Preliminary feasibility-cum-cost study together with economic study of three new lines in Syria (450 Kms).

(ii) Preliminary feasibility-cum-cost study for a new line in Iran (325 Kms).

(iii) Deputation of experts from various disciplines of railways and provision of back-up services to the Zairean National Railways.

(iv) System study of the Ghana Railways for improving maintenance standards of their rolling stock in particular and the railway system in general.

(v) Study regarding strengthening and rehabilitation of an existing broad gauge line in Iran and to recommend measures for increasing the level of traffic moved on this line.

(vi) Consultancy on strengthening and rehabilitation of 474 Kms long Manila Legaspi section of the Philippine National Railways System—an ADB-aided project.

(vii) Consultancy on improvements to workshops, sick lines and sheds of Sri Lanka Railways.

(viii) Consultancy on the setting up of training facilities and improvement in the maintenance of rolling stock and diesel locomotives on the Ghana Railways.

(ix) Deputation of two experts in connection with a bridge inspection and maintenance study for the Malayan Railways.

(x) Studies for the introduction of standard gauge and construction of new lines for the Nigerian Railway Corporation.

(xi) Consultancy regarding detailed evaluation of a report prepared by a French study group for transport of iron ore, limestone and dolomite deposits in Libya.

With a view to providing a back-up to the consultancy services being rendered abroad by RITES, a new construction company, called the India Railway Construction Company Limited (IRCON), was set up last year.

* * *

The new grassroots oil refinery which is being put up at Mathura, in Uttar Pradesh, with technical asistance from the Soviet Union and based on certain know-how from the United States, is expected to be completed mechanically by the end of 1979. It is scheduled to be commissioned by April, 1980. Originally expected to cost Rs 97 crores, it may now entail an expenditure of as much as Rs 195.3 crores, of which Rs 29.34 crores will be in foreign exchange. The escalation in cost is primarily attributed to inflation, both global and internal, since 1973. The refinery will have an annual crude oil throughput of six million tonnes.

With the completion of this refinery, the total oil refining capacity in the country will go up to 36.45 million tonnes. Currently we have capacity to refine 27.45 million tonnes of crude oil. This will be augmented by three million tonnes capacity at Koyali which is likely to accrue in the next few weeks.

By 1981-82, another one million tonnes refining capacity will be created at Bongaigaon in Assam. This project is also under implementation at present. By the end of the sixth Plan period, we thus will be having approximately 37.5 million tonnes refining capacity. The requirements of petroleum products by 1982-83 are expected to grow to 36.32 tonnes. We will be having, therefore, enough refining capacity to meet the anticipated requirements of 1982-83. Marginal imports of some products cannot be ruled out as the yields of various petroleum products may not strictly correspond to the demand for each product.

Tax policy and dividend decisions in corporate sector

Dr G. D. Misra

The author, who is lecturer, department of Economics, Banaras Hindu University, Varanasi, has come to the conclusion that incentives in the form of exemptions, deductions and rebates have eroded the tax base and thereby reduced the progressivity of corporation income tax. With such schedule of exemptions neither has the government achieved its revenue objective nor has industrial sector been able to resolve its financial problems and declare higher stable dividends.

OHN LINTNER[2], while testing the adeuacy and reliability of the dividend poliy, observed that 'the dividends represent ne primary and active decision variable n most of the situations'. Net earnings re the primary determinant of the volume f dividends. The factors which determine the magnitude of net earnings affect ividend decisions. Thus corporate income-tax may be regarded as one of the determinants of the corporate dividend policy.

While deciding about the determinants, one may consider investment in fixed and working capital as an important factor which may have direct bearing instead of affecting through net earnings. For instance, during the course of short-period, dividends may compete with investment requirements and in the long-run dividend payments may be increased to attract equity capital for financing anticipated investment.

the hypotheses

On the other hand there are theories, depending upon Modigliani-Miller's hypotheses[5], which postulate that investment decisions are independent of dividend decisions. The basis of this noticeable behaviour is the striking feature of the capital market which is perfectly competitive. In such situations where capital markets are perfect, indicating the absence of the financial constraints and the convergent behaviour of the interest rates, investment is determined by the long run net rate of return and not by the funds availability position. Finance is after all finance and it does not matter which source of funds is adopted to meet the investment requirements. Thus under the firms financial policy, the cost of capital which is independent of the "finance mix" is considered to determine the net rate of return which has a direct bearing on investment decisions.

Those who have propagated for interdependence between financial and investment decisions, have rejected Modigliani-Miller's perfect capital market assumption. If capital markets are imperfect as we find in most of the underdeveloped countries, funds availability[6],[7] dominates the investment plans and therefore entrepreneurs start looking for cheapest possible source. Therefore, cost of capital

POINT OF VIEW

may be minimised by making a proper choice of the capital structure, which ultimately increases the value of the stock. Because of the imperfections in the capital market, internal funds are the cheapest source and, therefore, dividends and investments are competing uses for limited internal funds. Since, the firm's retained earnings are the residual after the dividend payments and the accumulation of equity funds depends upon the firm's competence to maintain a higher stable dividend payout, dividend decisions determine the nature of the capital structure.

Whenever an increase in the rate of corporation income-tax is observed it may not leave the distribution of profits unchanged.[3] Two reasons may be cited for this. The companies may like to maintain their dividend ratio in relation to capital employed and, second, the various exemptions, deductions, and concessions may encourage the accumulation of retentions for financing replacements and fixed assets. Thus tax policy shapes the structure of the 'finance mix'. Although dividend decisions are important enough in affecting financial policy (i.e. capital structure) decisions, it becomes more important to know how dividend decisions are affected by the financial decisions. Therefore, in order to determine this sort of interdependence it is desirable to analyse the relationship between tax policy and dividend payments.

empirical studies

There are a few empirical studies in India specific to the analysis of dividend behaviour. All these studies have followed Lintner's dynamic adjustment mechanism. Noticeable among them are by V.K. Sastry, K. Krishnamurty and D.U. Sastry. V.K. Sastry[7] in his study has used the dividend adjustment relation to estimate short-run and long-run savings propensities. He has examined whether permanent income hypothesis provides a useful description on dividend behaviour under different assumptions but the results are inconclusive. The investment outlays have systematic negative impact on dividend payments. The study covers the period 1950-51 to 1965-66 and there is no analysis of tax induced effect on dividend disbursements. In another major study, based on time series data for the period 1956-57 to 1970-71 by K. Krishnamurty and D.U. Sastry[1], dividend relation appears as one of the five equations representing simultaneous system. No effort is made to study the effect of tax policy. The investment policies influence external finance more than dividend decisions and, therefore, the interdependence between investment and dividends is rather weak.

Companies while announcing their dividend payments, try to adjust towards their long-run payout ratio. This adjustment may be weak or strong depending

upon its speed. If the speed of adjustment is faster (represented by one minus the coefficient of Lagged dividends in dividend equation) the payout ratio is said to be stable. The actual dividend ratio normally differs from the desired one which depends upon several factors related to company operations. In order to describe the behaviour of the adjustment, the dynamic adjustment mechanism may be adopted.

$$D_t - D_{t-1} = c(D^*_t - D_{t-1})$$

where D_t = Current dividend payments,
D_{t-1} = Dividend payments in the preceding year,
D^*_t = Desired dividends for current period,
c = Adjustment coefficient.

The desired dividends D^*_t depend upon the long-run payout ratio which is the ratio of desired dividends to profits i.e. $r = D^*_t/P_t$ and therefore $D^*_t = rP_t$, which gives $D_t = crP_t + (1-c)\, D_{t-1}$. This equation may be written as $D_t = a_0P_t + a_1D_{t-1}$ for estimation purposes and known as pure dividend adjustment equation.

desired dividend

The equation, employed* to estimate the general adjustment coefficient and dividend payout ratio, is derived from pure adjustment expression between desired and actual dividends. Here desired dividends are determined not only by the profits but by several other factors including corporation income tax rate. Therefore, dividend relation is taken as a linear function of profits after taxes, Lagged dividends, investment in fixed assets, inventory investment, availability of debt capital, new issues, financial leverage, liquidity position, age distribution of fixed assets, and the effective tax rate on corporate profits.

In addition to the tax variable, whatever other variables appear in the equation have a specific purpose. They keep the relation more correctly specified and provide the basis for the tests of several other hypotheses related to financial and investment policies. The appearance of the investment variable shows the dependence of dividend payments on the investment. It may be either competitive or complementary, implied by the negative or positive sign of the investment variable. The financial availability variables, namely debt flow and new issues together with financial leverage represent the effect of change in the capital structure on dividend payments. The usual positive sign of the debt-flow shows the effect, through internal funds, on dividend payments. As more debt is accumulated, less dependence is observed on the internal funds and, therefore, more dividends may be declared. Cement industry has followed this behaviour because internal funds (which is 60 per cent of the total funds**) become easily available due to discriminatory nature of the tax incentives provided for the industry. Depreciation provision, which is 70 per cent of the total gross internal funds, leaves only 30 per cent to be managed from net profits leaving more to be paid as dividends.

three categories

The industries, which have realised the negative impact of borrowings on dividend payments, may be classified into three categories. Those which have mainly depended upon debt capital with highly unstable financial position are sugar, tobacco, cotton textiles and jute. Chemical and engineering industries, which have raised their 50 per cent of the financial requirements through borrowings, constitute other group. Paper and paper products and trading have raised more than 80 per cent of the total funds through gross retentions and most of the remaining from equity market fall in the third group.

For the industries of the first group, the more debt capital is accumulated, the less is the dependence on equity market and, therefore, dividend payments may decline because they are not paid to attract equity funds from the market. The main reason is the high effective tax rate and weak (declining) profitability position. Although chemical and engineering industries have raised 50 per cent of their total requirement through borrowings, the higher effective tax rate has put restraint on the dividend disbursements while raising the remaining finance through retentions. Since dependence on borrowings over time has declined and retentions have been the main source for paper and paper products and trading industries, whatever residual is paid as dividends has increased. This behaviour is affected by the tax induced depreciation policy for paper and paper products and by good profitability position for trading.

positive effect observed

In addition to the aggregate corporate sector for engineering and iron and steel industries the usual positive effect of equity issues on dividend payments has been observed. Although the proportion of equity funds is small, the intentions of these industries have been to attract more equity funds from the stock market. The engineering industry has tried to maintain a sufficiently higher stable dividend payout ratio. Since iron and steel industry has not been able to declare sufficiently higher dividends all the time as shown by its dividend payout and adjustment coefficient, only two per cent of the total funds has been raised from the stock market. Better effect is observed on aggregate corporate sector but that is also not satisfactory because long-run payout ratio is only 25 per cent due to the higher effective tax rate on corporate profits.

The favourable (positive) effect of tax policy on dividend payout is realised for paper and paper products and jute industry. It is lower effective tax rate (36 per cent) which is responsible for the maintenance of reasonably stable dividend payout ratio (34 per cent) for paper and paper products industry. Because of the uncertainty prevailing in the jute industry due to the ever persisting problems, e.g. inadequate supply of raw jute at reasonable prices, demand recession, drop in the exports of jute goods, much instability is observed in its financial policy. The industry has managed to maintain stable dividend ratio (40 per cent), although profits have declined over time. More debt has been accumulated due to the higher effective tax rate making debt capital cheaper and decline in profitability, leaving no scope for retentions. It seems that even borrowings have been used to maintain the stable dividend payouts.

Dividend disbursements have been

*For the dividend equation in the estimated form refer to Table 1 of (3, 1978).

**For actual 'finance-mix' on an average in percentage terms refer to (4, 1975).

adversely affected by the tax policy for the aggregate corporate sector and in sugar, cotton textiles, engineering, cement and shipping industries. For cement industry, the dividend policy is insignificant deteminant of financial plans. Due to pressure on retentions, which is the result of favourable tax incentives, dividends have been paid irrespective of the profitability position. For the shipping industry the regressive effect is evidenced by its lower payout ratios. The lowest effective tax rate, which has been in favour of retentions utilized for replacement, has left little for dividend payments. In the cotton textile industry, where the capital structure is deminated by debt capital, the highest effective tax rate (58 per cent) has reduced dividends significantly. This is the industry where much damage has been done by the tax policy.

Thus we find that the behaviour of the capital structure induced by the tax policy has revealed the superiority of internal funds decisions over dividend plans because in the 'finance mix' there is bias towards internal funds and, therefore, their accumulation is more desirable. This fact has been recognised by the government while devising its new industrial policy because the problem of raising capital from the market is likely to become more acute in the ensuing years due to priority accorded to the small-scale sector. Large business houses will have to depend for their financial needs on their own resources. But so long as tax rate remains at the present high level, it will be difficult to promote savings an investment on the scale that is necessary

The tax incentives, in the form of e emptions, deductions, and rebates, hav eroded the tax base and thereby reduce the progressivity of the corporation in come tax. With such existing schedul of exemptions neither has the governmen achieved its revenue objective nor ha industrial sector been able to resolve it financial problem. During the course o development, at a later stage when equit market started its financial contribution it received a set-back at immature stag by the Companies Act 1974 restricting d vidend disbursements beyond 12 per cent As an anti-inflationary measure the ban rate was increased which together wit other credit controls resulted in a highe lending rate by commercial banks althoug the problem of credit squeeze persiste for long. Therefore the financial structur has become rather inconsistent. Thus ther is need to have a proper level of taxatio on corporate profits with wide coverag and very limited and purposeful exemp tions to achieve the consistency in th financial structure. The realisation of th consistent financial plans will lead toward no pressure on the internal sources an therefore will serve the utmost objectiv of the shareholders by declaring suffici ently higher stable dividends and thereby making the dividend decisions primary.

Effective Tax Rate, Adjustment Coefficient and Dividend Payout of Corporate Sector

Industry	Effective tax rate	Ordinary		General	
		Adjustment coefficient	Dividend payout	Adjustment coefficient	Dividend payout
Corporate sector	46	0.464	19.87	0.748	24.87
Sugar	52	0.381	40.89	0.641	23.09
Tobacco	57	0.806	46.01	0.532	89.29
Cotton textile	58	0.489	16.48	—	—
Jute	47	—	—	0.728	39.29
Iron and steel	30	0.335	15.10	—	—
Chemicals	47	0.463	30.33	0.577	28.94
Matches	54	0.488	46.63	0.538	34.39
Cement	38	—	—	—	—
Paper and paper products	36	0.234	48.70	0.577	33.97
Electricity generation and supply	27	0.845	27.84	1.00	16.40
Trading	57	0.392	53.83	0.715	30.77
Shipping	20	—	—	1.00	15.40
Engineering	50	0.557	40.49	0.583	43.23

Note:

Ordinary payout and adjustment coefficients are estimated from pure dividend equation, whereas others follow the general dividend equation. The effective tax rate is the ratio of tax provision to the profits after tax expressed in percentage terms.

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Management strategies for more employment

K. S. Ramanujam

The author says that there was realisation at the sixth National Management Convention, held in Madras, of the hard facts that unemployment in the country exceeded 20 million and nearly 50 per cent of the population was below 20. The participants felt concerned how the expectations of all these people who were looking forward to career opportunities could be satisfied.

THE SIXTH national management convention held at Madras on April 8 and 9 was an earnest and serious attempt on the part of the All-India Management Association and Madras Management Association to discuss the problem of unemployment in depth and to assess the magnitude of the task ahead... and also to suggest strategies for developing employment opportunities and to help evolve a programme of action for the next decade. Over one thousand delegates representing public sector and private sector institutions from all over the country attended this convention since the subject dealt with was highly topical.

The Anantharamakrishnan Memorial Lecture (and the Fifth Business Leadership Award) on April 7, for which the Madras Management Association had chosen Dr V. Kurien, chairman of the National Dairy Development Board, Anand, served as a most appropriate 'curtain raiser' to the main convention which was inaugurated by Mr George Fernandes, central minister of Industry with a meaningful hour-long address outlining the government's current thinking towards tacking the growing unemployment problem in India.

district centres

Mr Fernandes availed himself of the opportunity to explain at great length how his ministry planned to organise district industrial centres all over the country to serve as the base board for encouraging and fostering the growth of small industries in the rural areas by means of practical and constructive measures to inspire confidence in the entrepreneurs to avail themselves of the new facilities. The minister's immense confidence that these centres would break new ground towards rapid spread of small scale industries in the vast rural areas of the country was enthusiastically welcomed by the large and highly knowledgeable gathering of businessmen and industrialists who lost no time in assuring the minister of their whole-hearted cooperation to his plan if only he would unreservedly take advantage of their offer. Thus a new era of hearty cooperation between the business community and the Janata government appears to have been launched at this convention.

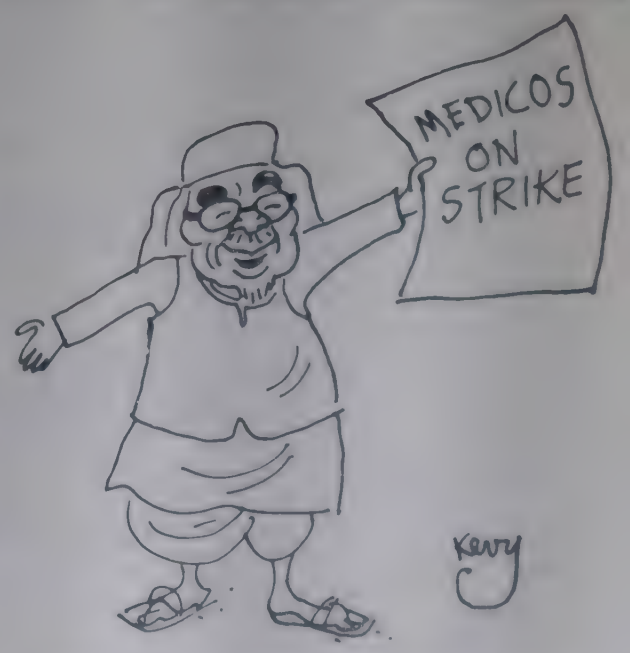
hard-hitting analysis

Dr V. Kurien's address on "The role of the elite in modernisation of a predominantly rural society" (which was published in *Eastern Economist* last week) was a hard-hitting analysis of the current social scene as viewed by one who has admittedly and, indeed admirably, to his credit the building up of a vast, most modern dairy complex enveloping over eight hundred villages and showing the way to rural prosperity through dedicated and devoted application of available modern ideas and tools.

The proceedings of the two-day convention reverberated with the genuine realisation of the hard fact that the unemployment backlog, even according to officially conceded estimates, is twenty-one million. It was also fully realised that half the population of India—51 per cent according to the census of 1971—is of the age group below 20. It was, therefore, clearly evident to all those gathered for serious deliberations on this important topic that the whole of this segment, as it advanced in age, will look forward to career opportunities for its livelihood and economic well-being. Speaker after speaker posed to himself these issues and attempted to give broad analysis as well as some genera directions to tackle this immense proble before the country. Dr F.A. Mehta director of Tata Sons Ltd, felt there ha not been a realistic approach to this prob lem in the plans so far but felt hopefu about the sixth Plan....

It was Dr Raj Krishna, member of th Planning Commission and the Financ Commission, who explained quite force fully and with a sense of personal involve ment that the change in strategy had bee warranted by sheer force of circumstance obtaining in the country today where th percentage of people below the poverty line had been continuing to rise instead of being arrested. He emphasised tha the bulk of the Indian people had no purchasing power and were foregoing even very essential things. He felt confiden that the new employment strategy projected in the sixth Plan would prove very useful to deal with this grave problem....

It was undoubtedly a brilliant speech which was made by Mr Mani Narayana- Handlooms. Next only to agriculture, handlooms opened the door for larger and fuller employment to millions of people through the length and breadth of the country provided it was developed in such a way as to be able to effectively compete with mill-made goods on the basis of cost and quality, he contended and



Now you can depend upon barefoot doctors

observed that it was possible provided certain developments such as processing facilities and technological improvements were provided in a manner that would encourage their all round, uninterrupted growth.

Mr P.L. Tandon, director-general of the National Council of Applied Economic Research, pleaded for a realistic, practical, pragmatic, approach to the Himalayan problem of unemployment facing the country today. He pleaded for an atmosphere of friendly co-existence in a multi-level technological mix such as for instance khadi and polyester, bullock cart and boeing, microwave and village postman so that more and more people are gainfully employed throughout the country, both in urban and rural areas without divisions that would create and foster conflicts and differences....

Many speakers rightly emphasised that forestry, transport and housing sectors had high employment potential and that more concentration on their development and growth is the need of the hour. Fisheries, with the recent international agreement that up to 200 miles it is coastal waters, was also mentioned as being a field of great potential for productive and gainful employment.

Mr R.K. Swamy, president of the convention, spoke at great length about the rapid changes that were taking place throughout the country in the application of technical and scientific knowledge for the improvement, growth and progress of agriculture and small industry and assured the minister for Industries that the management cadre in India would be only too willing to whole-heartedly associate itself with any constructive and dynamic plan such as the district industrial centres so that the benefit of their knowledge was available for the building up of the Indian nation on modern lines, on the lines most suited to it. He endorsed the line of approach of the Home minister Charan Singh that the vitality of the rural sector with prospects for agro-based industries to serve and solve the unemployment and under-employment problem of vast numbers of people in India alone could help in a positive way to meet the current needs of an explosive situation that obtained in the country today.

Dr D.C. Kothari, former president of the Federation of Indian Chambers of Commerce and Industry (FICCI), and a leading industrialist of the south, cautioned against hasty conclusions about reservation of some sectors of industry for small-scale development such as the proposal to reserve further growth of sugar production strictly to khandsari. He felt that the national interest, the consumer interest and other growth factors had to be taken into account rather than succumb to short cuts which may be appealing in terms of dealing with the immediate challenges of large-scale unemployment in the country. He was happy that the present government and its leaders were inclined to take the private sector business and industry into its confidence for finding solutions to the grave problems of unemployment and under-employment in the country. He suggested that even now, it would well worth their while to follow the Japanese example adopted and followed by them soon after the second world war when they too were in a similar situation of large scale unemployment and under-employment.

The Madras meet was also addressed by other important speakers, who included Mr Krishnamurthy, secretary, Heavy Industry, the president of the All-India Small Industries Association and Dr M.S. Swaminathan, director-general of the Indian Council of Agricultural Research.

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British budget: call for improved performance

In his thirteenth budget statement since taking office, Chancellor of the Exchequer, Denis Healey, emphasised that the key to growth must lie in an improvement in Britain's industrial performance. Details of his statement on April 11 and a summary of the main changes are given below.

REVIEWING BRITAIN'S economic position, Mr Healey, Chancellor of the Exchequer said, four years of painful and difficult decisions had now got the economy into much better balance. The current account had moved into surplus. Britain's financial position had been transformed. The year-on-year rate of inflation was well into single figures and still falling. Interest rates were far below the level of four years ago. The money supply was under firm control and there were exceptionally high reserves.

'All this is reflected in the fact that the fourth quarter of last year saw a rise of nearly five per cent in real personal income after tax and national insurance—the biggest quarterly rise for nearly six years.'

He pointed out, however, that the transformation in Britain's financial situation had not yet been reflected in an adequate growth of output. In consequence unemployment remained intolerably high, though it had been falling slowly since September. He stressed that it was the first purpose of this budget to encourage a level of economic activity sufficient to get unemployment moving significantly down. But like all other countries—and more than most—Britain could not isolate itself from the rest of the world. And here the outlook still left much to be desired. The chancellor explained that 1977 was a disappointing year for nearly all the world. Economic growth in the OECD area was well below the average rate obtained in the 1960s. World trade in manufactures increased only 3½ per cent compared with 9½ per cent in 1976.

The problems created by the slow growth of the world economy had been made worse by the big payments imbalance between the oil-consuming countries.

'If we are to solve this country's problems we need to take action on a world scale.' He referred to the five major problems which were now damaging the world economy—low growth, currency instability, the trend towards protectionism, over-dependence on imported energy and inadequate flows of stable long-term capital and aid from the surplus countries to countries in deficit, including many in the developing world. Mr Healey said that heads of government of the seven leading world economies had announced on April 10 their agreement to develop their policies so as to promote a concerted approach to this group of problems in the months leading up to the Bonn summit meeting in July. He also referred to the European Council's agreement on April 8 to work with determination for the higher economic growth that this approach required. The budget, represented British contribution towards tha common effort as well as meeting nationa needs.

On Britain's balance of payments an overseas debt, Mr Healey said most of th sums borrowed between 1973 and th middle of 1977 had to be repaid in the si years from 1979 to 1984. But, he said, i would not be sensible to aim to pay of the whole of this debt from curren account surpluses earned over the nex six or seven years. That would add to the problem of current account imbalances in world, and it would not be consistent with the need to expand the economy. The government's aim was, therefore, to combine net repayment of debt year by year with new borrowing to spread the maturities.

WINDOW ON THE WORLD

repayment of debt

As part of this policy Britain was now repaying large amounts of debt ahead of time. In January the chancellor had announced the prepayment of one billion dollars of drawings from the International Monetary Fund. A further one billion dollars would be prepaid to the Fund this year. In addition to these IMF prepayments, Britain had since October repaid, or arranged to repay ahead of time, one billion dollars of private market debt, bringing total repayments ahead of time, made or already planned, to three billion dollars. 'We shall also repay a further one billion dollars in 1978 on the due dates as other debt matures in the ordinary way.'

Mr Healey explained that the other part of the government's policy was to make progress with new borrowing and since last October new loans had been contracted totalling about 630 million dollars from the European Investment Bank and the European Coal and Steel Community. In addition the government proposed to make a British government bond issue in the New York market for a

total of 350 million dollars in two tranches of seven and 15 years respectively.

The chancellor emphasised that the government's main objective in the coming years must be to reduce the 'intolerable levels' of unemployment by stimulating demand in ways which created jobs at home without refuelling inflation. He explained that the temporary employment subsidy and other special employment measures which had now been in operation for three years were already providing 320,000 jobs or training places and pointed out that the Secretary of State for Employment's 'powerful reinforcement' to these measures on March 15, should increase this figure to 400,000 by March next year.

'But we cannot expect to see the rate of unemployment moving down at an acceptable speed unless we can create new jobs particularly in profitable firms in manufacturing industry and so strengthen the industrial base on which our whole economy depends. A budget stimulus by itself will not necessarily achieve this. Unless British industry can produce and sell the goods required to meet the demand created by any budget stimulus, that increase in demand will be met by imports and set inflation going again'.

Two things were clear, Mr Healey said, 'The key to growth and high employment must lie in an improvement in our industrial performance. And we must design this budget like the measures last October, as part of a programme for steady and sustained growth which must cover a period of many years.'

If the bulk of the additional demand

Summary of Main Changes

Indirect Tax

Special health duty on higher tar cigarettes from September 4, could add 7p on 20 higher-tar cigarettes.
No change in VAT rate and other indirect taxes.

Income Tax

Personal allowances
People under 65: married (and single parent)—up £80 to £1,535 (5.5 per cent); single (and wives with jobs)—up £40 to £985 (4.2 per cent). Cost: £510 million.
65s and over (age allowance): married—up £100 to £2,075 (5.1 per cent); single—up £50 to £1,300 (4 per cent); income ceiling to qualify for age allowance: up from £3,500 to £4,000. Cost: £70 million.

New lower rate band
25 per cent on first £750 of taxable income.
Everyone paying tax on £750 or more will benefit by £1.32 a week. Cut to reach payee pay packets mid-July. Refund back to April 6 about £18. Cost £1,570 million.

Child Tax Allowances (CTA)
Being replaced by child benefit. Cuts this year to £100 (under 11s), £135 (11-16s), £165 (16s+). (Already announced).
People with children living overseas to keep present (1976-77) levels of CTA: £300 (under 11s), £335 (11-16s), £365 (16s+). Special arrangements for widows, students, children with mobility allowances etc.

Higher rate tax
Threshold for 40 per cent tax raised from £6,000 to £7,000 taxable income.
All further higher rate thresholds also raised, with some changes in size of income bands. Top rate (83 per cent) to start at £23,000 instead of £21,000. Cost: £210 million.

No change in basic rate—34 per cent
Investment income surcharge.
People under 65: exemption limit raised by £200 to £1,700 (indexed); next £550 (instead of £500)—surcharge 10 per cent; income over £2,250 (instead of £2,000)—surcharge 15 per cent.
65s and over: exemption limit raised by £500 to £2,500 (more than indexed); next £500—surcharge 10 per cent; income over £3,000 (instead of 2,500)—surcharge 15 per cent. Cost £31 million.
Maintenance payments (for divorced wives or for children) to be entirely exempt from investment income. Cost £1 million.

Self-employed
For work done abroad 25 per cent of earnings free of tax, minimum of 60 days a year spent working abroad. Cost about £10 million.

Farmers
To be able to pay tax on average profits over two years because of big fluctuations in profits because of weather etc. Possible cost. £10 million.
Capital allowances for farm buildings increased. Cost: about £20 million.
Farmers also benefit from small business reliefs.

North sea divers
To be taxed as self-employed. £1 million.

Profit sharing
Income tax concession from April 6, 1979 to encourage profit-sharing. Tax-free shares for employees. Up to £500 worth a year from April 6, 1979. Cost £25 million in 1979-80. Could reach £100 million.

Capital Gains Tax

Capital gains up to £1,000 a year to be exempt. Next £5,000 of gains taxable at 15 per cent instead of 30 per cent. Tapering relief from full 30 per cent, up to £9,500. Change backdated to April 6, 1977. Present rules exempting sales up to £1,000 etc scrapped. Cost: £15 million in 1978-79, raising to £65 million in 1981-82.

Unit and investment trusts tax on their capital gains reduced from 17½ per cent to 10 per cent from April 1, 1977. Cost: £7 million in 1978-79 rising to £11 million.

Business Taxes

Small Businesses
Limit for reduced rate of corporation tax (42 per cent) raised from £40,000 to £50,000 profits.
Limit for tapered reduced rate up from £65,000 to £85,000. Cost: £32 million.
Capital gains tax reliefs on gifts of assets and losses on loans. Limit for retirement relief up from £20,000 to £50,000. Cost: £10 million.
Capital transfer tax concessions to help employees' trusts and workers' cooperatives. Cost: £10 million.

Income tax reliefs for losses made by those just setting up a business. Cost: £5 million.
Threshold for VAT registration raised from £7,500 to £10,000 VAT relief for bad debts if debtors insolvent. VAT forms etc simplified. Cost: about £15 million.

All firms
Stock relief: extended for another year and to continue indefinitely: promise of legislation next year to write off deferred tax if inflation-accounting rules not agreed. Corporation tax; 52 per cent. No change.

Hotels
New capital allowance 20 per cent first year, 4 per cent annual, on new hotels and extensions. Cost: about £15 million.

Tax avoidance
Four artificial devices to be blocked using: discretionary trusts, associated life polices, sale of land with right to repurchase and commodity futures schemes. Last two backdated to December, 1976 and April, 1976.

Spending Measures

Measures already allowed for
Pensions to go up in November by: £3.20 to £31.20 for married couple; £2.00 to £19.50 for single person.

New measures met from contingency reserve
Child benefit to go up from £2.30 per week to £4 for all children in April, 1979; as first instalment, benefit to go up 70p to £3 in November 1978 and single parent premium doubled again to £2 in November. Cost this year about £165 million.
Other family support: extra £68 million for cancellation of autumn school-meal price rise and for free school milk for 7-11s (plus EEC subsidy).
Employment measures (already announced): £156 million in 1978-79; £144 million in 1979-80.
Health Service: extra £50 million for full use of new hospitals, cutting, waiting lists, care for elderly and handicapped extra 400 kidney machines, etc.
Education: extra £40 million for building work on schools and colleges, and extra provision for teacher retraining in certain subjects.
Environment: extra £20 million mainly for country factories and coastline.
Other: extra provision for prisions, police, magistrates' courts and probation, areas affected by steel closures, sea defences, and energy saving industry and homes (insulation); nearly £200 million remains in contingency reserve and any further increase in planned spending this year will come out of this.

Financial Measures

Home
Money supply growth target for 1978-79: 8 to 12 per cent 'Rolling targets' to be used, to make trend clearer and allow revision every six months.
New (17th) issue of National Savings Certificates in June: £2,000 maximum holding.
Minimum repayments for retailers' credit and Barclaycard and Access scrapped, along with £30 cash borrowing limit.

eated by this budget was to be met by itish goods, said Mr Healey, 'we must ake sure that the products of our indus- are more competitive in terms of sign, delivery and price'. An improve- ent in these fields was the prime objec- e of the tripartite industrial strategy. Our main job now is to carry the indus- ial strategy down to managers and wor- rs in individual companies and plants roughout the country.'

'The main responsibility must fall on anagement and workforce in the indivi- ual firms and plants, but government had responsibility for providing an environ- ent which encouraged their work and ould therefore continue to support the ndustrial strategy through industrial ssistance, training schemes and the Natio- al Enterprise Board and by helping to rovide a favourable economic climate, Moreover, we are now giving industry riority across the whole range of govern- ent policies, for example in education nd local planning.'

Mr Healey said, he believed that small usinesses had a special role in improving Britain's industrial performance. They had lways been a prime source of innovation n British industry and the development f small businesses often produced more dditional jobs more quickly than deve- opment in the larger firms. They could lso play a vital role in regenerating the nner cities and countryside.

overriding objective

An improvement in Britain's industrial performance must, said the chancellor, be the overriding objective since this was a precondition for restoring high employ- ment, but this was bound to take time. 'To the extent that our performance falls short in design, delivery and productivity of that of our competitors, we will have to concentrate on making ourselves competi- tive in price.'

Monetary policy would be a decisive factor here. But price competitiveness would also depend crucially on reducing industrial costs, of which wages were bound to remain much the most impor- tant element. The government could help to support commonsense and moderation in pay negotiations both by controlling prices and avoiding unnecessary increases in indirect taxation, and by cutting income tax. But the main responsibility must continue to lie with the trade unions and employers who negotiated on pay.

the current prospect

In deciding how much stimulus he could afford to give the economy this year, Mr Healey said he had to make a judgement about the rate at which industry could increase its outputs to meet increased demand competitively. He had also to consider the likely development of the economy over the next year or so if he took no further action at all in this bud- get. Some trends were fairly clear. Likely increases in living standards, consump- tion, private investment, public spending and (more difficult to forecast) exports pointed to possible growth of 2 to 2½ per cent in the coming year without a budget stimulus.

But he pointed out that the increase in demand which he could afford to generate this year depended critically on the outlook for inflation, which in turn would depend primarily on monetary policy over the next 12 months and the outlook for wage costs.

Over the last 10 months, said Mr Healey, the month-to-month increase in inflation had been running at an annual level below eight per cent. The year-on-year inflation rate was likely to reach seven per cent in spring or early summer and, unless there was some catastrophe, it seemed likely to remain fairly steady at around seven per cent for the rest of this year—at about the average rate for most industrial countries and lower than some of Britain's competitors.

Monetary policy would continue to play a central role in the attack on inflation, said Mr Healey. He pointed out that ster- ling M3 grew in March by only one half per cent and M1 slightly less, confirming that the trend of monetary growth had come back into the desired range after the exceptional but expected jump in January. The figure for 1977-78 as a whole would probably be just above the 9 to 13 per cent range but under 14 per cent. But this was a year in which the money supply in Britain was substantially increased by inflows of foreign currency.

A target range for sterling M3 was to be the fous of monetary policy. Mr Healey also intended to adopt a system of rolling targets in which the target was rolled for- ward once every six months to allow for regular reassessment and modification if necessary. The target range for sterling M3 for 1978-79 would be 8 to 12 per cent. The corresponding level of DCE would be below the £6 billion which was set out in the chancellor's 1976 letter of intent to International Monetary Fund. This would provide both for a reduction in the rate of inflation and for an increase in econo- mic growth. It would provide ample room for the likely increase in bank lend- ing to industry.

He pointed out that, at the moment sterling short-term interest rates were on the low side, both in relation to controlling the domestic money supply and by com- parison with United States and Euro- dollar rates given recent developments in the exchange markets. He announced, therefore, that the Bank of England was, on April 11, raising its minimum lending rate from 6½ to 7½ per cent.

increasing production

Within the framework of this monetary policy, the chancellor said that coopera- tion was needed from employers and trade unions to ensure that rising prices and earnings did not make industry uncompe- titive. Over the last 12 months a reduction in inflation had been helped by the appre- ciation of sterling and by the fall in world prices which accompanied the fall in world growth and trade. 'We cannot rely on similar assistance in the next 12 months'. Although earnings had increased in the current round far less than most observers expected a few months ago, they were still growing faster in Britain than in most of this country's competitors and Britain's productivity was growing more slowly. Unless Britain could achieve much lower levels of increase in wage costs than this year, 'then, whatever the size of the sti- mulus I give to the economy in this bud- get, we cannot expect to keep control of prices, or to see the faster fall in unemp- loyment at which we aim'.

Mr Healey proposed early discussions with the representatives of both sides of industry on counter-inflation policies.

The chancellor explained that the objec-

tive of his budget measures was to provide additional support for the direct help for business, particularly for Industrial Strategy partly in the form of small firms, and partly by strengthening the incentive to effort at all levels in industry through cuts in income tax. He also believed that by using tax cuts to increase the real value of the pay packet during the coming year he could encourage further moderation in pay settlements and a continuing fall in the rate of inflation. The measures must also contribute directly towards the relief of poverty, to the fight against unemployment, to the improvement of social services and to the achievement of a more compassionate and fair society. He had declared on a full-year stimulus to the economy of some £2½ billion —or about £2 billion in 1978-79. The measures should raise output by another ¾ per cent in the next 12 months and as a result gdp should increase by about three per cent at 1970 prices—the highest increase for five years.

Courtesy: Trade and Industry

Who controls prices in the USSR?

Algimantas Lebedinskas

The author, who is the head of a sector at the Research Institute of Price Formation, USSR State Committee for Prices, says that though the price index in that country has remained practically unchanged for quarter of a century, it should not be concluded that the system of retail prices in USSR is a "dead" world of price tags.

THE FARE on the Moscow underground is five kopecks*, the same as it was in 1935 when the first line of the Metro was opened. For one square metre of living space the Soviet citizen pays 13.2 kopecks a month—this meagre sum has not changed over the past 50 years.

In the meantime the length of Moscow underground lines has increased from 10 to 200 kilometres, with coaches becoming much more comfortable and the frequency and speed of train movement increasing. The quality of modern flats has become immeasurably better, too.

These examples are no exceptions. The price index in the USSR has remained practically unchanged for almost a quarter of a century. From this, however, one should not draw the conclusion that the system of retail prices in the USSR is a "dead" world of price tags. The conditions of production and sale of goods change all the time, and this must be reflected in the movement of prices.

Over the past 10 to 15 years the retail prices in the USSR for television sets, refrigerators, hosiery from chemical fibre, garments made of kapron fabrics and knitted wear from synthetic yarn were reduced several times. Prices have also been reduced for radio receivers, tape recorders, photographic cameras, motorcycles washing machines, vacuum cleaners, some kinds of footwear, overcoats and jackets from artificial fur, kapron textiles and articles made of them, some kinds of medicines, etc.

At the same time retail prices have been raised for jewellery made of precious metals, fur, some alcoholic beverages, coffee and confectionery, fish delicacies, cut-glass wares, carpets and natural silk, with tariffs increased for some transport services.

The latest adjustment of prices took place on March 1, 1978. It is important, however, to note that the prices of prime necessities have not been raised.

It is a very complicated task to maintain prices at a stable level and especially, to lower them. For this, account must be taken of a number of factors.

Objective conditions are not there always for reducing production costs. Certain raw materials, for example, are becoming costly owing to the exhaustion of better deposits and also because of the increased distance between raw material sources and traditional processing centres. The necessary resources are not always available for the output of some definite commodities so as to fully satisfy the demand.

But it need not necessarily lead to a rise in retail prices. The art of price management lies precisely in keeping their dynamics within the changes taking place in the socially needed labour expenditures. Costly raw materials can be compensated for by cheaper processing by using highly effectient machinery and technology throughout the length and breadth of processing industries. As a result, pricing processes at the beginning and at the end of the technological sequence proceed, as a rule, in the opposite directions.

In the USSR, for example, the production of coking coals and iron ore is becoming more expensive and yet, in spite of that, during the last 25 years there has been considerable reduction in wholesale prices for machines and equipment, which in turn helped to cut back retail prices for domestic appliances.

reducing prices

Needless to say, such possibilities of reducing the prices of the end products in the various industries do not appear simultaneously. While in engineering and chemical industries, they are already a reality, in some other branches it is too early to say so. There are, for example, no well-founded prerequisites for lowering retail prices of foodstuffs. The USSR's agriculture, which incidentally is going through rapid reconstruction, does not yet have conditions for considerable reduction in costs. The sequence of operations in the food industry, as distinct from engineering or chemicals, is short: there is no room for reducing the cost of initial stock drastically during processing.

That is why food prices in the USSR remains practically unchanged. It should furthermore be remembered that cash incomes of the population grow steadily,

* 100 Kopecks=1 rouble

om year to year. In 1977, for example, ie average wages and salaries increased y almost three per cent and collective armers' remuneration by 4.3 per cent, ith many categories of working people aving their pensions increased at the ame time.

It should be stressed that with stable rices people can fully realise the benefits f this cash increment. Incidentally, ood prices in the USSR are among the owest in the world. A kilogramme of igh-quality beef costs, for example, two oubles and a kilogramme of medium-uality white bread 33 kopecks.

The stability of the retail price index in contemporary economy can be achieved only in conditions of planning. Planning prices alone is not enough. To make them behave properly, it is necessary to run all social production capacities efficiently. And even this is not enough: the economy should "incorporate" a device encouraging the producers to reduce costs and not to raise selling prices.

Such a device exists in the Soviet Union, and is being perfected. The planning of proportions in production and of cash incomes is becoming increasingly optimal and the economic organism tends to improve production efficiency in every way, which helps to save resources. In such conditions the direct control of prices becomes more productive.

This is done under the direction of the State Committee for Prices of the USSR Council of Ministers. Similar committee exist in the union republics and also i price departments in the regional and cit executive committees of people's deputies State bodies establish average prices i major industries, recommend method of drawing up price lists and monito the observance of financial discipline They also fix specific prices for majo commodities. The price lists are compiled directly in the branches of the national economy under the supervision of the same state bodies.

The state-run price fixing bodies are closely "fitted" into the national system of social production management and any problems of price planning are tackled while grappling with all other questions of economic development.

Decline in quality of life in USA

The average per cent change for good events in an American's life in the past 15 years has been 44 and for bad events 80 per cent. Interestingly the only major decrease in all 16 series indicated in the table on page 840 was in an individual's chance of becoming a parent, down by over 35 per cent, according to the Predicasts' Basebook 1977.

THE CLEVELAND-BASED business information and marketing research firm has compiled a Quality of Life Index using data from its just-released 1977 edition of the *Predicasts' Basebook*. Company President, Samuel A. Wolpert chose eight pleasant events (getting married, purchasing a new car or home, travelling abroad, etc) and eight unpleasant ones (losing a job, being a crime victim, dying, etc) from 1960 through 1976 and calculated the three-year averages of the occurrence rate for each event.

The index shows that the pace of life has accelerated markedly in the past 15 years, with the chance of occurrence of one of the significant events in each American's life increasing from an average of 65 per cent in a year in the early 1960's to more than 90 per cent in the past few years. The implication? Based on past events, each American citizen has a better than 90 per cent chance that one of the 16 measured events will happen in an upcoming year.

The chances of one of these occurrences falling into the "good event" category rather than the "bad event" group has declined; the ratio of good events to bad has dropped from a high in the mid-1960's of 1.81 to a low of 1.59 in the mid-1970's.

The average per cent change for good events over the period was 44 per cent, and for bad events 80 per cent. Dramatic increases have taken place in an average American's chances for foreign travel (up 225 per cent in 15 years), the possibility of being the victim of either violent crime (up 188 per cent) or crime against our property (up 171 per cent), or the chance of being divorced (up 120 per cent). Interestingly, the only major decrease in all 16 series was in an individual's chance of becoming a parent, down over 35 per cent from the early 1960's.

States Wolpert, "We can take heart, however, since a glance at the Quality of Life Index shows a person's chance of dying this year is less than one in a hundred and his chance of being mugged or beaten, less than one in two hundred."

Wolpert admits, the 1977 *Predicasts' Basebook* has applications more substantive and serious than that which he has somewhat whimsically put together. This unique publication contains annual data for 1960, 1963 and 1965-76 for over 25,000 statistical series, thousands of which were not included in the 1976 edition.

Announcement

M/s. Saurabh Pustak Bhandar, Ahmedabad, have been appointed as one of our Subscription Agents.
Necessary enquiries may please be made to:-

Saurabh Pustak Bhandar
615, Relief Road, First Floor,
Near Calicodome,
AHMEDABAD-380 001
Phone No. 31230

Subjects covered range from US population and Gross National Product to specific products and services. All series are coded and sequenced by Standard Industrial Classification and are presented on one line in the *Basebook*.

A typical use of the *Basebook* involves the analysis of different series for the same industry which can yield useful insights into the relationships among wages, production, employment, productivity, prices, capital use and profits. Similarly,

comparisons of growth rates among pr
ducts, industries, services and gene
economic indicators can provide measu
of the effects of new technology, compe
tion and sociological trends (such as tho
in the *Predicasts*' Quality of Life Index

Quality of Life Index

(The Chance of Events Happening in One Year Per Person)

(Per cen

	1960-62	1963-65	1966-68	1969-71	1972-74	1975-77	Per cent chang 1975-77 vs 1960-
Good Events							
Getting married	1.69	1.80	1.96	2.11	2.15	2.03	+20.1
Becoming parent	4.61	4.13	3.57	3.54	3.03	2.97	—35.6
Hired for job	1.42	1.47	1.75	1.61	1.78	1.56	+9.9
New car per household	12.14	14.77	15.00	14.54	14.90	13.42	+10.5
New house per household	2.77	3.12	2.71	3.34	3.54	2.50	—9.7
Foreign travel	1.14	1.52	2.18	3.14	4.02	3.71	+225.4
Visit national park	15.74	18.04	20.20	22.29	25.72	28.21	+79.2
Graduate, HS or college	1.25	1.47	1.64	1.80	1.88	1.88	+50.4
Good Events*	40.76	46.32	49.01	52.37	57.02	56.28	+38.1
Bad Events							
Getting divorced	.45	.47	.54	.69	.87	.99	+120.0
Dying	.94	.95	.95	.94	.93	.88	—6.4
Laid off job	1.47	1.44	1.72	1.78	1.81	1.55	+5.4
Motor vehicle injury	1.72	1.96	2.18	2.44	2.38	2.44	+41.9
Admitted to hospital	13.99	14.70	14.81	15.48	16.34	17.15	+22.6
Violent crime victim	.16	.19	.26	.36	.43	.46	+187.5
Property crime victim	1.77	2.15	2.74	3.56	3.89	4.80	+171.2
On public assistance	3.66	3.77	4.27	6.25	7.17	7.22	+97.3
Bad Events**	24.16	25.64	27.47	31.50	33.82	35.49	+46.9
Something Happening	64.92	71.96	76.48	83.87	90.84	91.77	+41.4
Ratio Good/Bad	1.69	1.81	1.78	1.66	1.69	1.59	

*Average percentage change 43.8. **Average percentage change 79.9.

Source: Predicasts, INC, Cleveland, Ohi

MOVING FINGER

The Information minis-ter has started acting on the Verghese report. He has informed Lok Sabha that the government has no intention of rechristening Akash Vani as Akash Bharati. Having rejected this perfectly innocuous suggestion, Mr L.K. Advani is not to be expected, surely, to go along with the Working Group's catastrophic conclusion that the restructuring of the Radio and TV set-up should culminate in the abolition of the portfolio of Broadcasting. Mr Advani may probably be even willing to shed his entire ministership for a good cause, but it is hardly likely that he will settle for half a loaf as being better than nothing. The Verghese report, in other words, seems headed for infant mortality.

I am not implying that the Information minister, individually, or the government, collectively, is not sincere in seeking to provide for the autonomy of Akash Vani or Doordarshan. But I do suggest that the trusteeship scheme sponsored by the Working Group just does not have a chance for the excellent reason that it is clumsy, contrived, complicated and completely out of touch with reality. It just does not make sense to expect any government in this country to divest itself entirely of an effective say in the functioning of these mass media in the name of their freedom from political control. The minimum that may reasonably be insisted upon is that Akash Vani and Doordarshan should cease to be run as government departments and that they should be placed under statutory public corporations which will discharge their responsibilities subject to adequate arrangements for associating parliament and public opinion with their general performance. The report of the Chanda committee still makes good basic material and the government ought merely to have got on with it and spared everybody all this much ado about nothing.

When the Verghese committee was set up, I wrote in these columns, at the risk of being misunderstood, that its composition—and, especially, the choice of Mr Verghese as its chairman—ensured that it would produce a well-written report, but not a very useful one. Besides being well-written, the report is also long. This, too, could have been predicted. Given the vast expanse of its terms of reference, the Verghese committee, in fact, has reason to be amazed at the moderation of its loquacity.

A friend from Bombay, who chooses to play the Innocent Abroad whenever he comes to Delhi, was indignant that so many to whom the Verghese committee had sent its questionnaire had not troubled to reply. This, according to him, indicated a widespread lack of public spirit. As one who was himself guilty, I begged of him to ponder the possibility that some at least of those who did not file their response might have been influenced by the feeling that the Verghese committee was trying to do a job that did not really need doing. After all, it is fairly obvious that, if something more could be done to ensure the freedom of broadcasting and television as mass media, besides securing a certain degree of autonomy to Akashvani and Doordarshan by releasing them from departmental control by the government, it could only be by departing from the monopoly principle and allowing for competition from broadcasting and television in the private sector. This kind of approach was of course never really on the cards of the Verghese committee.

Come to think of it, the Janata government has not been very happy in its committees. The Kuldip Nayar committee, for instance, was another case of Love's Labour's Lost. In that case, too, the composition of the committee was not right. They should have made Mr C.R. Irani the chairman, for it was clear not to be expected that Mr Irani would be content to play second fiddle to, of all persons, Mr Kuldip Nayar. One need not waste one's sympathy, however, on the Janata government, since it seems to be going out of its way to give itself a raw deal in the matter of committees. There is, for instance, the committee on controls and subsidies. Some one like Mr K.B. Lal would have made a go of it as its chairman. Or, are there not men like Prof Vakil, Mr H.T. Parekh or Mr James Raj? As it is, we may only hope that its member-secretary, who happens to be the Finance ministry's second thought on the subject, will manage to salvage it. The point is that a succession of weak or inexpert committees is bound to harm the government's credibility, in addition to giving rise to gossip about favouritism or cronyism. In particular, there will be rumours of influence peddling in such sensitive or strategic power centres as the prime minister's establishment.

Irwin Hospital was renamed after JP some time back. Willingdon Hospital has now become Ram Manohar Lohia Hospital and the Lady Hardinge Hospital Sucheta Kripalani Hospital. There can be no stopping, apparently, of the resurrectionists of the Janata party. They are always able to dig up some figure from the past, if none is found fit among the living.

Talking of hospitals, it seems to me that not since transcendental meditation, which is supposed to be moderately useful in cases of blood pressure or a few other ailments, has our country had so promising a medical merchandise for export as auto-urine therapy. It appears that it is catching on in the UK. Unfortunately, we cannot make money out of it. Our Health minister, however, could still go to Britain to study how they are doing it there. After all, Mr Raj Narain did visit Britain, immediately after becoming minister, to study the National Health Service there.

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TRADE WINDS

Subsidies on Exports

THE CASH compensatory support for exports does not involve any "excessive subsidisation" as it mainly compensates exporters for taxes paid on inputs and assists the new and growing export segments mostly in the small-scale sector, according to Commerce ministry. Cash assistance given to exporters has steadily risen from Rs 30 crores in 1968-69 to Rs 94 crores in 1975-76. It shot up to Rs 240 crores in 1976-77 and to an estimated Rs 312 crores (provisional) in 1977-78. The budget for 1978-79 provides for Rs 250 crores.

The assistance is given for product promotion for those non-traditional and industrial products particularly those with export potential for growth and the rates of compensatory support generally vary between five per cent and 20 per cent of f.o.b. realisation. The engineering goods cover nearly 40 to 50 per cent of the cash assistance, according to official sources. The other products are chemicals and allied products, plastic goods and sports goods, woollen carpets and finished leather and leather manufactures. Cash assistance is also given for commodity development, a major portion of which goes for car manufacturers, decorticated cottonseed and cake extractions and groundnut cake and rice bran extraction.

The other elements of export assistance are grants in aid to exports promotion councils for marketing, commodity research, sponsoring of trade delegations and other promotional activities as well as the export credit development scheme. A subsidy at the rate of one to five per cent per annum is available from government to banks and other eligible institutions for export finance. There is also a freight subsidy on some export products carried by railways and airlines which together come to the order of Rs 2.5 crores. In 1976-77 cash assistance covered exports of the order of Rs 1500 crores out of the total exports of Rs 5143 crores—nearly 30 per cent. But cash assistance mainly goes to manufactured products and is spread over 30 to 40 per cent of the total exports.

GIIC

Gujarat Industrial Investment Corporation (GIIC) will provide interest subsidy to the small-scale units of engineer entrepreneurs on the pattern of official scheme. It will be available to the units assisted under the GIIC technicians scheme for a period of three years starting from April, 1978. With a subsidised rate of interest of seven per cent per annum, the total benefit to the units accruing over the period of next three years will amount to Rs 40 lakhs.

It is notable that GIIC has decided to start the interest subsidy scheme from out of its own resources, since the corporation is not an agency yet recognised by the Reserve Bank of India under the Credit Guarantee Scheme for which necessary representation has been made to government of India. It is expected that the GIIC's decision will be a morale booster for engineer entrepreneurs, notwithstanding the heavy financial implications it will have on the corporation's own funds.

The benefits of interest subsidy will be immediately available to the units regular in repayment. Under the official scheme, only those units who have been regular in their payment are entitled to the benefit of concessional rate of seven per cent.

Foreign Exchange for Students

The Reserve Bank has decided that students belonging to scheduled castes and tribes desirous of prosecuting higher studies abroad should be allowed a relaxation up to 10 per cent in the qualifying marks which at present is 55 per cent in the relelvant qualifying examination for the purpose of release of foreign exchange. In other words, the qualifying marks in their case will be 49.5 per cent. Such students should, however, satisfy the other existing conditions laid down for grant of exchange facilities.

Bank Credit for Priority Sector

Bank of India has launched credit plans in all the 32 lead districts allotted to them under the lead bank scheme. The bank has thus fulfilled an important social obligation in these districts and is the first nationalised bank to have done so. These credit plans have been formulated after comprehensive surveys of each lead district in the states of Maharashtra, MP, UP, Bihar and Orissa. The credit plans formulated by the bank are a bunch of schemes for lending to the priority sectors by the commercial and cooperative banks operating in these districts, with the Bank of India in the lead. The schemes mainly covers lending to agriculture, small-scale units and community banking. Provision has been made in the credit plans to provide adequate credit towards increase in agricultural output, development of tiny sector in small industries and creating employment opportunities for the educated unemployed. The credit outlay amounting to Rs 235 crores extends over a period of three years in these 32 districts. The projected impact on implementation of the plans will be an additional irrigation of four lakhs acres of land and increased agricultural output for six lakhs farming families; direct employment in small industries for one lakh persons and under other schemes to 1.2 lakh persons in these districts. Indirect benefit to the community is far reaching.

Indo-Syrian Trade Pact

Trade between India and Syria will expand in terms of a new agreement signed by the two countries recently. By this, possibilities for undertaking joint ventures would be explored. The two countries have also indicated the items which can be exchanged to mutual advantage. The new agreement was signed by the Commerce minister, Mr Mohan Dharia and Mohammad Al-Imady the Syrian minister of Foreign Trade.

The items which India has offered to supply include tea, coffee, spices, rubber and leather manufactures, all types of textile and clothing, jute goods, chemicals and allied products, plastic goods, iron

and steel, industrial plant and machinery as well as other engineering goods. Syria on its part has offered to supply rock phosphate, phosphatic fertilisers, lentils and other pulses, petroleum, petroleum products, cotton, cement, spirits and vegetable oil and oilseeds.

In order to facilitate implementation of the new agreement and to further expand the trade relations, it has been agreed to set up a committee consisting of representatives of both the countries. It will meet from time to time to review the position and sort out problems which may arise. The two countries will also hold trade fairs and exhibitions. Moreover, it has been agreed to extend cooperation by each side with a view to strengthening economic relations and to furthering the interchange and use of scientific and technical knowledge particularly by affording opportunities for technical training and assistance.

Sale of Gold by Government

The Reserve Bank has drawn up a programme for sale of gold held in government stocks, in pursuance of the decision announced by the Finance minister in his last budget speech. The sales will be through a series of auctions, the first of which will be held on May 3. Bids for the first auction on May 3 will be received during business hours (from 11 am to 3 pm) on May 2 and 3. The dates tentatively fixed for a few subsequent auctions are May 17 and 31, June 14 and 28 and July 12 and 26. The Reserve Bank reserves the right to vary the dates or cancel any of the auctions if circumstances so warrant.

The auctions will be on the basis of sealed tenders to be invited from those holding licences to deal in gold under the Gold (Control) Act, 1968. Licensed dealers all over India are free to make bids in accordance with the terms and conditions of the invitation to bid. For the convenience of dealers, copies of the invitation to bid have been made available in the offices of the Reserve Bank in Bombay, Ahmedabad, Bangalore, Bhubaneshwar, Calcutta, Cochin, Gauhati, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna. All bids will have to be sent to the Bombay (Fort) office of the Reserve Bank within the prescribed time.

Sales Procedure

The gold to be sold through the auctions will be in bars of 100 grammes with .995 fineness. The gold will be sold "as is" without any warranty from the Reserve Bank or the India Government Mint in respect of weight, fineness or otherwise; no physical inspection will be allowed. The bids will have to be for a minimum of 1,000 grammes; no bids for more than 5,000 grammes will be accepted. All bids must be in multiples of 100 grammes. The bidder will be required to specify the quantity required and the price (exclusive of sales tax which will be payable separately) per 10 grammes at which he is willing to buy the said quantity. Each bidder will be permitted to make only one bid. Valid bids will be ranked in order of descending price. Awards will be made to bidders who rank above the position determined by the Reserve Bank with due regard to the quantity to be sold at this auction and the reserve price. The award will be for the quantity bid at the price quoted. Delivery of gold will be given in Bombay only.

FICOM

H.L. Financing Consultants and Management Services Pvt Ltd has started investment and portfolio management service in Delhi. It is geared to render guidance on a long term, continuous and personal basis. The guidance is based on systematic and scientific study and analysis of the various factors affecting the individual company's prospects.

IDA Assistance for Power

The World Bank and its affiliate, the International Development Association (IDA) are providing US$ 305 million to assist electric power development in India. A World Bank loan of US$ 105 million will help finance the construction of a 500 MW thermal power station and associated works in Trombay, in Maharashtra state. An IDA credit of US$ 200 million will be devoted to the construction of the first stage, consisting of three 200 MW generating units of the Korba Thermal Power Station in Madhya Pradesh state, which will have an ultimate capacity of 2100 MW. The two projects are part of the World Bank's efforts to help India meet the growing demand for power. Today's operations bring the total of Bank and IDA assistance for electric power development in India to US$ 1080.5 million.

The project being implemented by the Tata Electric Companies is part of Maharashtra state's plan to eliminate existing power shortages and to meet the demand which is growing at the rate of 10 per cent per annum. This would be the first 500 MW generating unit in India and as such, it represents a significant technological advance. The project is scheduled to be completed in 1983 at a total estimated cost of US$ 209 million.

The Bank loan to the Tata Electric Companies will be guaranteed by the government of India. It is for 20 years, including five years grace. It will carry interest at the rate of 7.5 per cent per annum.

The US$ 406 million project consists of construction of the first 600 megawatt capacity in the Korba Thermal Power Station, together with ancillary equipment and related works and 400 KV transmission facilities to convey bulk power to Gujarat, Maharashtra and Madhya Pradesh states. The capacity at Korba is expected to reach 2,100 MW by October 1986. The IDA credit to India is for 50 years, including 10 years of grace. It is interest free except for a service charge of 3/4 of one per cent to meet IDA's administrative costs. The government of India will relend the proceeds of the credit to the National Thermal Power Corporation Limited, which will implement the project.

HDFC

The Housing Development Finance Corporation Ltd (HDFC) will enter the capital market on May 23 with a public issue of 399,874 equity shares of Rs 100 each. The issue has not been underwritten. The corporation has been promoted by the Industrial Credit and Investment Corporation of India (ICICI) which has taken up equity shares worth Rs 50 lakhs. It will make available long term

oans for the construction, purchase and ownership of houses on the lines of building societies and savings and loans association in the west. Its initial capital is Rs 10 crore divided into equity shares of Rs 100 each. Of this, banks have been offered shares worth Rs 2 crores, industrial concerns including FERA companies Rs 2 crores, General Insurance Corporation and LIC Rs 25 lakhs each. With the ICICI's share of Rs 50 lakhs, HDFC has thus been able to raise Rs 5 crores by private allotment.

Even the International Finance Corporation, Washington, has agreed to subscribe to equity shares worth Rs 50 lakhs with standby facilities of the same order. It has also agreed, in principle, to provide a line of credit of Rs 32 crores. Besides, the Agha Khan has agreed to subscribe to equity shares worth Rs 50 lakhs, with standby facilities of the same amount. In this way, HDFC has been able to raise funds to the extent of Rs 6 crores. The remaining capital of Rs 4 crores is being offered for public subscription.

India-Belgium Trade

Belgium will soon offer a new package of commodities. It will not only result in increasing the Indo-Belgian trade but also diversifying the trade exchanges. Indicating this at a press conference recently, the Belgian Foreign Trade minister, Mr H. De Bruyne stated that diversification was essential for the future growth of trade between the two countries. At present, the trade is dominated by diamonds

He also indicated that there were possibilities of the two countries cooperating with each other in setting up joint ventures in third countries in the field of telecommunication.

Mr Bruyne expressed the hope that it would be possible to double the trade turnover in one year or so because there was potential for it.

In reply to a question about the negative balance of trade with India, he explained that this was not a serious problem, it should be possible to have a balanced trade if diversification took place on a big scale.

Agreement with UNICEF

A revised basic agreement was concluded with UNICEF recently replacing the earlier basic agreement of May 10 1949. Mr Saran Singh, secretary to the government of India in the department of Social Welfare, signed the agreement on behalf of the government of India, and Mr T. Glan Davies, regional director UNICEF, on behalf of UNICEF. Mr Davies had also signed the earlier agreement as UNICEF's the then permanent representative in India. The new agreement has several improved features over the previous one. Some of these are; (i) Transfer of ownership to the government of India in respect of all UNICEF supplies directly on arrival in India/purchases in India; (ii) Maximum local purchases by UNICEF in respect of its operations in the region; and (iii) The termination of the provision in the 1949 Agreement that vested in UNICEF the authority to take appropriate action in cases of disagreement as to whether the terms of the agreement are being complied with.

A new agreement provides that government shall permit UNICEF officers to observe all phases of the plans of operations and cooperate with the government in the review and preparation of proposed projects etc.

Customs Duty Cut on Auto Parts

The government has decided to extend for another three months—up to June 30—the concession on customs duty to certain critical automotive components.

Originally, the concession —reduction of the customs duty from 120 per cent to 40 per cent ad-valorem—was given from January 30, to March 31, 1978.

In January, the government had decided to permit import of certain critical automotive components in view of the disruption in production in in some of the units.

To keep the price of imported components at a reasonable level as compared to the domestic items, the reduction in customs duty was extended.

NAFED to Export Onions

The central government has authorised the National Agricultural Cooperative Marketing Federation to provide the growers of onion a reasonable price with immediate effect, according to an official press release.

It said, the step had been taken in view of reports that prices of onion had declined in the producing areas.

NAFED will continue as a canalising agency and will export onions till the price was stabilised at a reasonable level. It will also make all efforts to supply onion to non-producing areas.

Silo Construction Project for EPI

The state owned Engineering Projects India Limited (EPI) has bagged a Rs 47 crore project contract in Iraq for the construction of grain silos near Mosul in the north-western parts of that country. This is the largest turnkey contract ever secured by an Indian company in Iraq. The project involves construction of grain silos at Sinjar, Shirkat and Talafar, 400 km from Baghdad. The proposed silos are being designed to a wheat storage capacity of 20,000 tonnes, 40,000 tonnes and 60,000 tonnes respectively. The grain handling equipment is proposed to have a rated capacity of 33 tonnes per hour and shall involve equipment for unloading of grain.

The project is said to be quite sophisticated as various safety measures including grain temperature detection, level indicators, fumigation etc are proposed to be in-built in the silos.

Names in the News

Mr B.L. Khurana has been appointed as general manager of The Lakshmi Commercial Bank Ltd. In 1974 he was appointed as the assistant

Mr B. L. Khurana

general manager and in March 1977, as deputy general manager of the bank. In the latter position he was in charge of the biggest zone comprising Maharashtra, Gujarat, southern states, Uttar Pradesh and Haryana regions.

COMPANY AFFAIRS

Coromandel Fertilisers

THE YEAR 1977 marks the completion of a decade of meaningful progress for the Coromandel Fertilisers Ltd. During the period, over two million tonnes of Gromor fertilisers have served to nourish the country's soils. The gross profit for the year before providing for depreciation and taxes is Rs 14.88 cross. Depreciation for the year is Rs 2.56 crores and provision for taxes is Rs 6.90 crores. The profit for the year, after depreciation and taxes, therefore, amounts to Rs 5.42 crores. The directors have recommended payment of dividend for the year at a rate of 20 per cent i.e. Rs 2.00 per equity share subject to applicable income tax.

The directors have recommended the issue of bonus shares in the ratios of three shares for every five equity shares held. The bonus shares shall rank for dividend as may be declared on equity shares for the financial year commencing January 1, 1978 and rank in all other respects *pari passu* with the existing equity shares. The company has applied for the required approvals from the central government and the Reserve Bank of India.

Despite severe power restrictions during the first half of the year and the unfortunate devastation caused by the cyclone that hit Andhra Pradesh in November, which affected water supply, the company has been able to achieve a slightly higher level of production than that achieved during 1976. The total quantity of fertilisers produced was 248,000 tonnes compared to 247,000 tonnes during the previous year. Sales of fertilisers during the year aggregated 261,000 tonnes, which was higher than the quantity sold in 1976 by over 26,200 tonnes. Approximately 82 per cent was sold in the company's economic marketing area. The technical feasibility study of the Ammonia Argon Recovery Project is under study. In regard to the stand-by power plant, turnkey orders have been placed with the suppliers for the equipment.

Escorts

Escorts Ltd has declared a final equity dividend of eight per cent for 1977 which together with an interim of eight per cent already paid makes a total of 16 per cent, the same as last year. The company has improved its working in 1977 with sales and other income up from Rs 90.93 crores in 1976 to Rs 106.15 crores in 1977 and the gross profit from Rs 9.41 crores to Rs 10.28 crores. After various appropriations there is a surplus of Rs 2.71 crores against Rs 3.34 crores. Equity dividend (including interim already paid) will absorb Rs 90.98 lakhs (same). The company's working has been satisfactory in the first quarter of the current year (January-March) with sales exceeding Rs 30 crores and a pretax profit amounting to Rs 2.30 crores. Mr H.P. Nanda, chairman, is confident that the growth in sales will be maintained in the rest of the year with substantially better profits. The first phase of Goetze piston rings project has gone into production this April, a year ahead of schedule.

Cadbury India

The annual statement of the chairman of Cadbury India, Mr P. Pandhi has disclosed that in line with the recently announced industrial policy of the government which requires a change of character in companies like Cadbury India, the management is doing its best to achieve growth through diversification into areas which accord well with national priorities. The first new project of the company, the Sal fat plant for the manufacture of cocoa butter substitute, was commissioned in October 1977 and yielded a foreign exchange earning of Rs 60 lakhs within the first three months of its operations. Exports through this project in 1978 are expected to amount about Rs 4 crores. The company is actively working on a project for the manufacture of apple juice concentrate in Kashmir and the preliminary government approval has been obtained. The project will ensure a meaningful use of annual apple crop a large portion of which is wasted at present.

Boots Company (India)

The directors of the Boots Company (India) Ltd have recommended a dividend of 18 per cent on the increased share capital for the year 1977. The company achieved increased sales, production and profit and also set up its new chemical plant at Ahmednagar. The new plant was inaugurated on March 19, 1978 by Dr Gordon Hobday, the chairman of parent company, The Bo Company Limited, N tingham. The new chemi factory at Ahmednagar is company's third manufact ing unit, the other two be the Insulin plant and ph maceutical factory at Sion Bombay. The new chemi factory will augment the co pany's capacity to manuf ture bulk drugs as required the government and wou initially undertake the produ tion of Ibuprofen, which is t bulk drug required for c renowned antirheumatic Bruf tablets.

The company's perfo mance during 1978 has al been satisfactory. The fi three months' sales amount to Rs 3.71 crores as compar to Rs 2.90 crores for the co responding period of 197 Mr Nawal S. Phatarpheka chairman of the compan stated at the annual gener meeting held recently that was difficult to forecast t year end results in view of t new drug policy, which w announced by the governme at the end of March this year

Pfizer

Pfizer Ltd has maintaine its progress during the ye ended November 30, 197 The total sales for the ye have amounted to Rs 41.2 crores as against Rs 39.3 crores in the previous yea registering a modest growth 4.8 per cent. The net profit h amounted to Rs 2.55 crore A sum of Rs 4.35 crores ha been provided for taxatio (Rs 4.28 crores).

The volume of productio achieved during the year wa adversely affected due t certain labour problems at th company's manufacturing un at Thane, Bombay, leading a plant lock-out from July

o August 2, 1977. These problems were resolved in August 1977 and production was resumed on a full-scale thereafter.

The company had announced two interim dividends, in May 1977 and in December 1977, both at the rate of Re 0.75 per equity share. The total dividend thus declared for 1977 works out to Re 1.50 per share. The directors have not recommended any final dividend for the year under review. The company's exports during 1977 registered Rs 90.62 lakhs. The company is engaged in diversified operations which includes pharmaceuticals, chemicals, nutritional and health care products and agricultural and animal health products.

Glaxo

Glaxo Laboratories (India) Ltd has declared an interim dividend of eight per cent for the year ending June 30, 1978, subject to deduction of tax, on the equity shares of the company. The dividend will be payable on and after May 27, 1978.

Ingersoll Rand

The preliminary statement of Ingersoll-Rand (India) Ltd, on its perforamance during 1977, reveals that the directors have recommended a dividend of Rs 4.20 a share (42 per cent) for the year. The dividend to the shareholders resident in India will be payable pro rata for a period of two months commencing from November 1—70 paise per share in terms of prospectus for the public issue. The proposed dividend will absorb a sum of Rs 32.45 lakhs. Both sales and profits are higher than in 1976. As against an increase of 11.13 per cent in sales from Rs 7.55 crores in 1976 to Rs 8.39 crores in 1977 the gross profit has recorded a modest rise of about 2.3 per cent from Rs 2.16 crores to Rs 2.21 crores. After providing Rs 21.60 lakhs (Rs 17.42 lakhs) for depreciation Rs 5.57 lakhs (Rs 3.03 lakhs) for investment allowance, Rs 120.57 lakhs (Rs 124.50 lakhs) for taxation and after writing off the entire share issue expenses of Rs 9.20, lakhs there is a net profit of Rs 64.16 lakhs against Rs 70.98 lakhs.

Ceat Tyres

The directors of Ceat Tyres of India stated in their annual report for 1977, that the company has succeeded in its efforts to obtain exemption from Section 20 of the Urban Land Ceiling and Regulation Act 1976 for the company's land at Bhandup (Bombay). Since the receipt of this exemption work on the substantial expansion of the Bhandup plant for increasing production by additional 60,000 each of automotive tyres and tubes per annum is being pursued. Part of the imported machinery has already arrived. It is expected that only a part of the expanded capacity will become operational in the last quarter of 1978. Hence, production can only be marginally higher as a result of this partial increase in capacity.

During 1977, the company produced 1.05 million automotive tyres against 1.01 million tyres in 1976 and the installed capacity of 850,000 tyres. The production of automotive tubes was also higher at 915,000 tubes against 870,000 tubes in 1976 and the installed capacity of 750,000 tubes. The production of bicycle tyres at the Nasik plant was 1.53 million tyres against 1.45 million tyres in 1976 against the installed capacity of two million tyres. However, even with this increase the plant was not able to reach a profitable level of operation, due to the substantial increase in the excise duty on cotton fabric used in the manufacture of these tyres.

With a view to maximising the production at 2.5 million tyres inclusive of the 25 per cent increase permitted under the present licensing policy, installation of additional equipment is being contemplated at the Nasik plant. Exports totalled Rs 4.75 crores in 1977 against Rs 4.70 crores in 1976. The exports, however, continued to be uneconomical due to lack of sufficient incentives to meet the severe competition from multinational tyre manufacturers.

Mettur Beardsell

Mettur Beardsell Limited have changed their financial year to end in December and the results announced recently are for a nine-month year. The company shows for nine months, a profit of Rs 40 lakhs before depreciation of Rs 22 lakhs. (Previous year of 12 months, profit was Rs 57 lakhs before depreciation of Rs 20 lakhs.) A sum of Rs 13.45 lakhs has been transferred to investment allowance reserve. The company has ambitious expansion plans and has skipped the dividend for the period just ended. The results for the nine-month period up to December 31, 1977 were affected adversely by the textile operations with the controlled cloth obligation placing a very substantial burden of loss on the company, along with the highest ever cotton prices, severely depressed demand for cloth and a 33 day strike at Mettur affecting both textiles and sewing thread manufacturing operations. Other contributing factors for the lower results were the export quota restrictions in Europe, fire in one of the expanded polystyrene factories and lack of raw materials for the expanded polystyrene manufacture for a period due to a strike at the suppliers.

Blue Star

Blue Star has maintained its equity dividend at 18 per cent for the year 1977 despite a drop in gross profit from Rs 99.23 lakhs in 1976 to Rs 82.91 lakhs in 1977. The earnings had, however, risen from Rs 21.25 crores to Rs 24.85 crores. After providing Rs 8.69 lakhs (Rs 8.29 lakhs) for depreciation Rs 40.30 lakhs (Rs 47.50 lakhs) for taxation and Rs 0.64 lakhs (Rs 0.24 lakhs) for investment allowance reserve, the profit available for disposal works out at Rs 33.28 lakhs (Rs 43.20 lakhs). Of this sum the equity dividend will absorb Rs 16.65 lakhs and preference dividend Rs 0.71 lakhs. A sum of Rs 15.91 lakhs (Rs 25.83 lakhs) has been transferred to the general reserve.

Industrial and Agricultural Engg.

Industrial and Agricultural Engineering Co (Bombay) Ltd proposes to offer to the public 203,100 equity shares of Rs 10 each and also make an offer for sale of 66,900 equity shares of Rs 10 each at par by some of the shareholders. The present subscribed capital of the company is Rs 24.69 lakhs. The proceeds of the issue are to be utilised for setting up a project at Ahmednagar for the manufacture of safety valves and waste fuel firing equipment. The company which holds an industrial licence for the manufacture of 500 numbers of

safety valves, has entered into a technical collaboration with a West German firm.

The first phase of the project is expected to be completed by May-June 1978 and trial production by July 1978. However, with a view to implement the import licence without loss of time, the company has already started pilot production of safety valves at its existing factory at Bhandup, Bombay. Drawings for the manufacture of waste fuel firing equipment have been received. IAEC (Bombay) is at present engaged in agency business in mechanical and electrical items. It established a heavy fabrication unit at Bhandup in 1954 for the manufacture of package type fuel tube boilers, water treatment plants heaters and air filters.

Rasoi Vanaspati

Rasoi Vanaspati & Industries Limited will be entering capital market shortly with a public issue of 300,000 equity shares of Rs 10 each for cash at par. The company's current equity capital is Rs 20 lakhs and it has declared an interim dividend of 12 per cent. Its turnover exceeded Rs 14 crores in 1977. The issue is being made to provide finance for the modernisation of the company's vanaspati plant at Calcutta. Until 1973, the company used to manufacture vanaspati mainly from groundnut oil. Further, due to scarcity of groundnut oil, the government has permitted the usage of a variety of edible oils now released through the State Trading Corporation of India for the manufacture of vanaspati. At present, the percentage of imported oils used in the manufacture of vanaspati is as high as 75 per cent to 90 per cent. As a result, the effective production capacity of Rasoi's plant at Calcutta is reduced to between 50 and 55 metric tonnes per day.

Grindlays Bank

Grindlays Bank Limited, London have published their group report and accounts for 1977. In his statement to the shareholders, the chairman, Mr N.J. Robson, pointed out that the net profit after tax for 1977 was £16.2 million, which compares with a net profit for the previous year of £14.0 million. The board considered that the first priority must still be to improve the capital resources of the group and over £14.0 million was being added to reserves bringing the total added over the last two years combined to over £27 million, he stated. In 1977 there has been continued progress in expanding the international business and strengthening it in a number of important ways, both in London and overseas, Mr Robson added.

Referring to the group's business overseas he drew attention to the continued expansion in the Gulf, the opening of an agency office in New York and early in 1978, a branch in South Korea indicated that the group's business in India and Hong Kong remained the most important.

Capital and Bonus Issues

Consent has been granted to ten companies to raise capital of Rs 24.92 million.

The following are the details:

Shivalik Agro-Poly Products Limited, Solan (HP), has communicated to the government of its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969 of the securities, Rs 2, 500,000, divided into 2,50,000 equity shares of Rs 10 each (inclusive of the paid up equity capital of Rs 1,000,000 for cash at par to meet a part of the project at Parwanoo, Dist. Solan (HP).

Bharat Westfalia Limited, Calcutta, has communicated to the government of its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969, of securities, Rs 5,000,000 in equity shares of Rs 10 each for cash at par to meet part finance for the setting up a project for manufacturing chain conveyors at village Arra (Bihar).

Kolleru Papers Limited, has communicated to the government of its proposal to issue capital under Clause (5) of the Capital issues (Exemption Order, 1969 of securities Rs 12,300,000 (inclusive of the capital already raised) in 12,30,000 equity shares of Rs 10 each for cash at par out of which shares worth Rs 61 lakhs will be offered to the public by a prospectus to meet a part finance required for setting up an integrated pulp and paper mill.

Orient Engineering and Commercial Company Limited, a public limited company registered in Calcutta, and having a paid up equity capital of Rs 500,000 has been granted consent, valid for three months, for issue of equity shares worth Rs 128,000 to resident Indian shareholders for cash at par.

The Standard Fabricators (India) Pvt Ltd, Bombay, has been accorded consent, valid for six months to capitalise Rs 705,000 out of its general reserve and issue 7,050 fully paid equity shares of Rs 100 each in the ratio of one bonus share for each equity share held.

Canning Mitra Phoenix Limited, Bombay has been accorded consent, valid for six months, to capitalise Rs 401,100 out of its general reserve issue fully paid equity sha of Rs 100 each as bo shares in the ratio of bonus share for five equ shares held.

Upper Ganges Sugar M Ltd, Calcutta, has been acco ed consent, valid for six mont to capitalise Rs 2,451,630 of its general reserve and iss fully paid equity shares Rs 10 each as bonus shar in the ratio of one bonus sha for every three equity shar held.

Banaras House Limited, N Delhi, has been accorded co sent, valid for six months, capitalise Rs 1,000,000 out its general reserve and issu fully paid equity shares Rs 100 each as bonus shares i the ratio of four bonus share for five equity shares held.

Indian Splicing (Mechani cal) and Accessories Limited has been accorded consent valid for six months, to capi talise Rs 300,000 out of it general reserve share premiun account and issue fully paic equity shares of Rs 10 each as bonus shares in the ratio o one bonus share for two equity shares held.

Deora Pu Cabncon Co. Pvt Limited, Indore, has been accorded consent, valid for, six months, to capitalise Rs 142,600 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for two equity shares held.

Raigarh Jute Mills Limited, Raigarh (MP), has been refused consent for issue of bonus shares worth Rs 10 lakhs only.

The application for consent to the issue of bonus shares of Rs 6 lakhs by **Air Conditioning Corporation Limited, Calcutta** has been rejected by the central government.

Company Meeting: Hindustan Lever Limited.

A CHANGING ORGANISATION

Speech delivered by T. Thomas, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Thursday, 20th April, 1978

1. INTRODUCTION

In a few years from now, it will be a century since the operations that now constitute Hindustan Lever Ltd. commenced in India. Over the century, this organisation has changed considerably. Even in the last five years, the change has been marked and we are all the time planning for further change—changes in direction, character and composition of this organisation. And yet, through all these changes, we have maintained and will continue to maintain certain values as well as a measure of stability. Today, I would like to share with you some thoughts on this process of change and the management of this change, both as a general organisational topic as well as with specific reference to our company. It is useful for us to understand the process and to be conscious of what might lie ahead.

2. CHANGE AS A RESPONSE

Change is a response to internal or external stimuli. The most important internal stimuli for change are the desire and vitality to grow and advance. This is somewhat similar to the human system. A major difference is that whilst human life has a finite life cycle, an organisation does not have that limitation. Therefore, it can be in a state of enduring change over the years and yet never reach a state of total stability. Once an organisation reaches total stability, it tends to stagnate and decline. History has many examples of this in the realms of culture, religion, empires, dynasties and businesses. In fact, modern business history in our country has witnessed the phenomenon of 'sickness' which is often the symptom of stagnation and decline of organisations that did not change. Therefore, change originates from vitality and is a positive and necessary sign of growth and progress. Absence of change should be a matter of concern as it could be a sign of internal decay. Yet change for its own sake will be futile; it becomes meaningful only when it has a purpose.

Another major set of stimuli which originates from the outside environment is technological advancement which can often change the nature of a business. It could be sudden; but very often it is deceptively gradual. The gradualness of some technological advances prevents many organisations from perceiving their ultimate impact and thus lulls them into a false and short-lived stability, which could eventually be overwhelmed by the change.

Habits and preferences of consumers can stimulate changes in products and activities of an organisation. Actions of Governments, attitudes of employees, competitive activity and even public opinion, sustained over a period of time, are other stimuli that can result in changing an organisation.

Any response needs a medium—a medium to be stimulated and to respond. In the case of an organisation, this medium is usually the people at the top. Whether the change is in response to internal or external factors, it is the people at the top who can initiate the process. The sensitivity and vitality of this layer in an organisation are key factors in changing an organisation.

3. DIMENSIONS OF CHANGE

Change has several dimensions and can take place in one or more of these dimensions at a given time. For instance, it could be a change in long term direction of an organisation from one type of activity or business to another type of activity. Such change is often necessitated by external factors. It could be a change in sheer size, often resulting from continued success. Or, it could be a change in the composition or content of a business due to relative success or failure of its constituent parts.

Change can also be in ownership, which can often affect the character of a business—private to public, family-managed to professionally managed, foreign to Indian or private to public sector, and so on. Such changes in character are often more traumatic than other kinds of change.

Yet another dimension of change can be in the performance of an organisation in either direction. If performance declines it can trigger off several changes in attitudes, resources, etc. On the other hand, if performance improves, it can stimulate pressures that could lead to growth. Thus, changes in performance can result in changes in other characteristics of an organisation.

The rate of change is another crucial dimension. In a large organisation, the rate of change in different sections of it may not be uniform, or it may be too fast in certain areas. This can result in tensions and shocks.

These then are some of the dimensions of change.

4. MANAGEMENT OF CHANGE

Like all other activities, change also is amenable to the disciplines of management—planning, execution and control. In the old days changes occurred and organisations reacted. Today, it is possible to anticipate change in such a way that it can be managed. A major difference between organisations that survive and progress and those which do not is in their ability to manage change in this manner. Now let me examine some of the ingredients required for successful management of change.

4.1 Sensitivity to the Environment

An essential requirement of an organisation that wishes to manage change is its antennae to the environment. There are several antennae. But the most important ones are threefold—

First, there is the antenna to the market place or the consumer of the product or service provided by the organisation. In the kind of business we are in, it is provided by the Marketing function.

Another antenna is the one provided by Research and Development function within an organisation. In addition to being the fountainhead of technology, Research and Development is also a very effective antenna to technological developments. In the modern world, any large organisation without this antenna is like an aircraft flying in bad weather without instruments.

A third set of antennae is required to sense the social, economic and political characteristics of the environment. This is largely provided by the sensitivity developed by the top management of the company.

4.2 Preparing for Change

Unlike in the past, it is possible nowadays to plan, and hence to prepare, for change. Of course, there will continue to be some changes which occur outside the plan. But it is possible to plan most major changes. Very often, there is a measure of despair and sense of futility about such planning because of the uncertainties that lie ahead. But the existence of uncertainties actually underlines the need for more intense planning, because what such planning accomplishes is the emergence and evaluation of alternative courses and the preparation of the organisation for one or more alternative courses. The larger the organisation, the greater the need for such anticipatory planning because the risks attached to the alternative of an unplanned adventurous course would be too high.

By planning for a change, it is possible to develop the resources required to effect the change. The most important resources are management and capital. Of the two, I believe management is the more critical and the more difficult one to acquire.

Upgrading the quality of existing management, acquiring new management in the requisite disciplines, integrating them with the organisation and carrying them confidently through the process of change are tasks which can be underestimated. Very often the whole process of change is frustrated merely because this factor has been overlooked.

4.3 Security of People

In all changes, a major consequence is insecurity among the people concerned. Contrary to popular belief, such insecurity is not confined to unionised employees. The insecurity is there right from the Board level. The insecurity of workmen receives more attention due to their numbers and their organised means of expressing insecurity. Others have neither the means nor the confidence to express their insecurity.

Insecurity, over sustained periods is not conducive to the best performance of any organisation. Therefore one of the most important tasks in managing change is the mitigation of such insecurity at all levels in an organisation. Firstly, one has to recognise the inevitable existence of insecurity. Secondly, one has to analyse and determine its causes. Very often, it is merely a result of lack of information or provision of distorted information. Thirdly, some course of action may have to be optimised and some efficiencies sacrificed in order to remove insecurity. It is often possible to achieve the ultimate objective in stages without creating disruption.

In this process of avoiding insecurity, a key ingredient is the credibility of management. This can be eroded in sections or the whole of an organisation due to incidents and reactions of individuals. But it is always possible through persistently sincere action to restore credibility and security which are essential for success.

4.4 Leadership

Although no single individual is responsible for initiating or executing major changes, and they have to be the responsibility of teams of persons, a critical factor in successful change is the quality of leadership and its continuity. Change invariably creates stresses and probably a measure of insecurity. Leadership is required to create the necessary confidence even in those circumstances.

Another important function of the leadership is to keep open the channels of communication within the organisation and with the outside—shareholders, consumers, Government, trade unions, press, etc. This is important because when an organisation tries to change, it draws attention to itself whether it likes it or not. Some of that attention is bound to be critical. It is very necessary to meet that critical assessment and respond to it through communications by the leadership.

4.5 Timing of Change

One of the advantages of planned change is that at least there will be some control on the timing of the change. It is a very common phenomenon that when an organisation is doing well—expanding its existing business and making more profits, management is very busy tending the expansion and making it more efficient. No one normally thinks of the day when that particular line of business may encounter limitations. It is often only when the limitations become more concrete and apparent that the management thinks of change. Sometimes it may be too late, or the change may have to be carried out in a panic which is never an ideal way of doing it.

Therefore, it is precisely when a business is doing well that one must examine the alternatives to its continued success and make changes that will ensure diversity of base for the business.

An organisational change is seldom based on a single economic or political or technological reason. It is when several such factors point in the same direction that the time is ripe for a change. But it is essential that the mechanism to sense changes in these factors is well developed and in constant use so that even when the existing activity is doing well, the necessary changes can be put in train.

4.6 'Change-seeking' Management

Since change is the response to stimuli and management is the medium for the stimuli, it is essential that the ability of management to seek and to sense change is well preserved. In all organisations, there are some people who like change and some who do not. Very often, age has something to do with it and although there are notable exceptions, as one nears the age of normal retirement, one's instincts tend to make one more conservative and less adventurous. And yet it is necessary for the organisation, right up to the top, to preserve the spirit of change through innovation.

This can be achieved by placing a premium on management evaluation at all levels, on the ability of the individual to make improvements through positive changes in his sphere of responsibility. Carrying out one's responsibilities honestly and diligently should be appreciated; but what should really attract attention and promotion in the hierarchy should be the ability to be creative and to improve on one's existing activity through innovative change. A management culture can thus be created where achievement is measured in terms of innovation and change.

Apart from fostering this culture, another positive step in rendering at least a part of management as a 'change-seeking' group, is to ensure that at the senior and top levels there is an admixture of the young—people in their forties with enough experience but also enough of a future horizon—along with the older colleagues who may provide the balance of mature judgement. Conversely, the deadhand of people who hang on to top jobs for a lifetime is one of the most effective ways of smothering the initiative to change and progress. They not only know all the wrong answers from the past, but will fill the top echelons with an aura that will put out any flicker of initiative from the young—if ever young blood reaches the top.

There could be exceptions, but an ageing and non-retiring chief executive is the worst impediment to organisational progress through change.

4.7 Renewal of Management Skills

In sports and games we all accept the need for occasional sessions of practice or for taking lessons. But when it comes to business, it is often assumed that such lessons are only for the uninitiated. If an organisation is to change and progress, renewal of knowledge and skills is required right up to the top executive. Exposure to ideas of other people within the organisation and to outside influences is an essential part of stimulation. There are several means available for providing this up to the middle levels of management through internal or externally available courses in India. Admittedly, worthwhile opportunities for doing so with top management are limited in our country, and some of the institutions which are meant to provide such opportunities have declined over the years. Yet, organisations have to arrange to provide this opportunity either by organising special facilities, or by sending people abroad. Such exposure, preferably away from the business, not only sharpens one's skills but also stimulates thinking about unconventional ways of dealing with problems. It is, therefore, an essential ingredient in the process of managing change.

4.8 Team with Clear Objectives and Responsibilities

In modern business, normally nothing significant can be achieved by an individual by himself. He has to have the support and co-operation of others because most business activity in a large organisation is team work. One of the key roles of the team leader is to choose and develop his team mates taking into account both the needs of the job and their inherent characteristics. He has to develop the positive elements in each person and correct the negative ones without impairing confidence.

One of the most effective ways of creating such team spirit is to define the objectives for the team in consultation with them and then to provide them opportunities to formulate and discuss among themselves the means by which the agreed objectives can be achieved, the key tasks involved and the risks which underlie the chosen course of action. At the end of such an analysis, if the team is given the task and performance is periodically reviewed both for critical evaluation and for providing support where necessary, one would have created a team that will grow with the job. People like to have clear objectives and to be left alone at least for brief spells with the responsibility to achieve such objectives. It is during their endeavour as a team to achieve the objective that many ideas for change and progress find their birth

4.9 Ability to Assimilate from Outside

A crucial ingredient of managing change is the development and preservation within an organisation of the ability to assimilate ideas and people from the outside. As an organisation grows in size and age, it has a natural tendency to become impervious. Especially if it happens to be successful over some years, its management begins to become not only complacent but narcissistic. It even begins to believe that there is no other organisation as good as itself, and that inbreeding is necessary to preserve the purity of its culture. But as with races and communities, inbreeding in a business organisation is another way of ensuring stagnation. A measure of injection of ideas and people from the outside is always a healthy stimulant. One of the advantages of a multi-national is its ability to inject such doses periodically into its associates all over the world. One can see the influence of such stimulation from professional managers and foreign collaborators in the functioning of several large Indian business houses which have successfully undergone change. In all these cases, when these business houses took up new ventures, with imported technology, they were induced to develop at least for a period of time the ability to assimilate some skills and some people different from their own past traditions and practices. Several of them have made great strides under this stimulant.

4.10 Stability and Continuity with Change

Change has to be managed in such a way that the organisation is not exposed to shocks and tensions. This is ensured by continuity in management, physically if possible, but more importantly in some values like loyalty to people, integrity in transactions, reliability of undertakings given by top management, fair treatment of individuals and such other positive characteristics of an organisation which are either carried forward from a commendable past, or are acquired as the organisation grows and advances.

Stability is also provided by ensuring as far as possible that all sections of an organisation progress and change at a somewhat uniform rate. For instance, if the Research and Development group in an organisation is far ahead of the Marketing or Production groups, in the same organisation, it can lead to tensions and instability because the former will feel impatient and fret while the latter will resent the seemingly domineering attitude of the former. It is an important part of managing change to ensure that such imbalances are minimised mainly by enabling all major parts and especially the older established parts in a business to change at about the same pace.

In other words, what one would seek is an evolutionary and planned change, rather than a revolutionary one, which can create considerable anxiety. And, as in the political world, revolution often needs another revolution to effect a change and each such revolution saps something out of the system, although there might be a shortlived show of fulfilment. Evolutionary change can be just as effective, though not dramatic, and it could be more enduring.

5. HLL AS A CHANGING ORGANISATION

Over the years, your company has been steadily changing its character, composition of business, ownership and organisation. What started in the last century as a sales organisation became a marketing company earlier in this century. Steps were taken by 1930 to commence manufacturing vanaspati and soaps in India. This made it possible to strengthen the marketing function because products could be tailored locally to local consumer needs. With the consequent expansion of the market, the company built up a very extensive and efficient sales and distribution system. Because of the close involvement with the market place and the intimate contacts with the trade and consumers, it was only natural to develop local management. The process of Indianisation of management at senior levels started in the early forties, so that by the late fifties it was possible to manage the company predominantly with Indian management, and by 1961 this process culminated with the appointment of an Indian chief executive.

The 'isation' of management was not a painless process because those involved in the transition period on both sides of the fence had many personal and sectoral adjustments to make.

It was also during this period of the fifties and sixties that the trade union movement took root and began to provide varying shades of political leadership to our workmen.

At the same time, the company embarked on improvement of productivity through the application of industrial engineering techniques both in the manufacturing and in the commercial operations. This was something that accelerated the pace of change.

In ten years, between the mid-fifties and the mid-sixties, the company diversified its activities into synthetic detergents, convenience foods, animal feeds and dairy products. Although today these may not appear to have been very great changes, in the milieu of time these were significant changes for a company with a tradition of established business in soaps and vanaspati.

Simultaneously, the realisation that India was sufficiently large as a market, with its own unique characteristics, and that there were enough well qualified Indian scientists who could work in a sufficiently science-oriented culture led the company to set up Research and Development activities in the late fifties and this brought in its train a constant stream of changes and improvements.

By the late sixties and early seventies it was evident to the company that its future was more secure with further diversification into what was then beginning to be referred to as 'core sector' and this could be carried out along with dilution of foreign shareholding.

During the early seventies, while the Indian economy was in an uncertain state of growth, the business was adversely affected by irrational price controls first on vanaspati and then on soaps. This resulted in contraction of the vanaspati business over

a period, and even of the soap business temporarily in 1974. It was a traumatic experience for all concerned. But it was also a period of education, self-discipline and avoidance of panic. It also underlined the need to diversify the business further.

During the last five years the pace of change has accelerated further. The organisation of the company has proceeded further in the direction of business groups within the company. New projects and new lines of business have been set up. The sales and profits of the company have advanced significantly as also its investment. This growth in size and performance has triggered off further changes. With the recent share issue, share capital has increased substantially as also the number and spread of shareholders.

But even while we talk of these changes in the recent past, we are planning for and having to cope with more changes, as I shall indicate later. Let us analyse how this series of changes has been managed in the past so that you may feel confident that the changes that lie ahead of us may be carried out with the same measure of success.

6. MANAGEMENT OF CHANGE IN HLL

6.1 Management Development

One of the most important ingredients in the management of change in our company has been the continuing investment in management development. It starts with objective methods of selection and recruitment which try to ensure that people from all regions of India and from all strata of society can enter the management, provided they can compete successfully. Family background, social standing or accomplishments in these areas are no qualifications at all. One has only to look at the social background of my colleagues on the Board to appreciate this. One is the son of an engineer in a public utility in Maharashtra. Another is the son of a teacher and revolutionary in the freedom movement in Bengal. A third is the son of a distinguished educationist in UP. Another is the son of a small-town lawyer in Burma and yet another is the son of a Government doctor in Punjab. I am myself the son of a middle-school teacher in Kerala. The oldest among us is the son of a civil servant in Sind. We all got into the organisation with widely varied backgrounds. There are very few companies in this country where people could rise to the top from such humble backgrounds. This tradition has continued and has in some measure facilitated our being sensitive to the real environment of our country.

After entry into the organisation, the subsequent stages of training and career development are even more crucial in management development because they have to be sustained over the entire career span of the individual manager. The progress and development needs of each manager, including those of Board members, are reviewed each year on the basis of performance and potential which are communicated to him.

This attention to management development not only results in a planned creation of management resources but also makes it possible to locate and slot in suitable managers to undertake the many responsibilities that a changing organisation brings about. Furthermore, it creates a sense of confidence in the management that their future is continually receiving the attention of their seniors.

Another integral part of the management development process is the establishment of meritocracy. Advancement within the organisation is not by seniority but merit-cum-seniority. Merit is determined not merely on the narrow basis of performance against physical targets, but as a manager advances in his career the assessment of merit is related to an increasing number of other factors such as his ability to work with others, adaptability to change, creativity, ability to face crisis and find solutions to difficult problems, ability to take unpleasant decisions and face the consequences, facility to separate personal life from organisational activity and yet to use both as complementary supports ability to sense, respond and communicate with the different, and sometimes conflicting, interest groups in the environment and above all to do all this and more without compromising integrity of the person or the organisation. Such a tradition and culture for management takes a long time to build up and it is the preservation of this culture that enables the organisation to undertake change with stability.

6.2 Research and Technology

A major instrument of change in our organisation has been the upgrading of technology and the investment in research. In all our businesses we have constantly sought to upgrade our technology so that we are ahead of competition in quality, costs and self-reliance. We have invested in research to support this constant search for innovation and improvement. This has also led us into the development of new technology which could enable us to develop new activities. Thus science and technology give a firmer base to the changes under way and spawn more changes for the future. It acts like a catalyst in this process of change.

An important consequence of the investment in Research and Development has been the development of a strong linkage between innovation and implementation within the organisation. For this purpose, we have built up the necessary communication systems and also upgraded our competence in several other areas in the organisation, e.g. marketing and engineering, and this gradually results in an overall upswing in the quality of management capability.

6.3 Decentralisation with Centralised Resources

With change and diversity of operation, it has become increasingly necessary and advantageous to decentralise the operations of the company. This has been achieved by the creation of profit centres for each business with its own buying, manufacturing, commercial and marketing management. This makes it possible for each subgroup within the company to manage that business and to develop its own skills. But, responsibility for overall results and direction of the company, and the provision of key resources, viz. management and finance, remains a central one. For this purpose, there is an effective system of controls over the decentralised operations. These controls are exercised through measurements against agreed strategies and objectives at fixed intervals. It is also necessary to have strong central management groups which provide finance, personnel and technology for use by the decentralised business groups.

Such decentralised, but essentially centrally regulated, management of the organisation leaves enough freedom to change but at the same time ensures that no part of the business can become too isolated.

6.4 Mobility at the Top with Continuity

An important factor in our company's ability to change over the years has been mobility at the top —among Board members and especially the chief executive. Over the last twenty-two years, since HLL was formed as an Indian company, we have had five chairmen, including myself, which gives an average life of about five years. But if we take the three Indian chairmen, our average tenure to-date works out to about six years. It is my personal belief that a chairman of an organisation like this should serve a minimum of five years, but not more than ten years. He will need at least five years, both to make an impact on the organisation and to live with the consequences of the changes he has made. But if he stays beyond ten years, he may begin to be the deadhand. Fortunately, for your company, although people have become chairmen sufficiently young to serve for fifteen years in that capacity, this is unlikely to happen.

It is also to be noted that those who have become chief executives have risen from the management ranks of the company and have an understanding of people and processes within the organisation. This provides for continuity and stability although regular changes occur at the top. It is this tradition of change with continuity that has enabled us to manage changes successfully over the years.

6.5 Response to Environment

Another very important characteristic of our organisation is its sensitivity and response to the environment. Perhaps it is because we sell our products to over 125 million people in our country, spread from Ladhak to Kanyakumari, that we have perforce developed this sensitivity to consumers and thence to other factors in the environment like the trade, press and, of course, the various arms of Government. An additional linkage has been our involvement with agriculture and animal husbandry over the years. This has given many of us an insight into real India—its problems and its aspirations.

For most organisations today, the environment extends even beyond national boundaries because a part of the market or the source of material can be external. Awareness of international trends is another requisite for coping with change.

It is such sensitivity to the environment that prompts us to change our ways, to reallocate our resources, to develop new and relevant technology, to increase exports, to enter the core sector, to dilute foreign shareholding and to respond in many different ways to the legitimate needs and aspirations of different sectors.

The environment itself is not static and as it changes, our responses have to be modified. Although one cannot change the environment, one can react to it and harmonise with it.

6.6 Communications

As changes are likely to create uncertainties and anxieties it is essential that a constant flow of communications is kept up within the organisation and where necessary with the outside environment. It is our experience that written communications have to be supplemented by face to face communications which have the great advantage of being converted into a dialogue. Thus communication becomes not a one-way process but also a means of assessing reactions and adapting accordingly. A great deal of time has to be spent by senior people on communications and a major asset of such persons is their ability to communicate effectively and with credibility, so that it results in understanding and mutual acceptance and not merely in passing information.

As the organisation grows, formal written communications become necessary and these are intended to explain various changes that take place in the organisation and to provide basic information.

Communication regarding science and technology is an important stimulant. There is a periodic exchange of views between the business groups and the Research and Development personnel so that progress is reviewed against objectives and the objectives themselves are modified when necessary. Communication among the scientists themselves both nationally and internationally is yet another harbinger of change because it is such dialogues in seminars, functional visits, etc., where ideas are triggered off some of which result ultimately in change for the better.

Although there are formal channels of communication and most exchanges take place through these media, informal communications are a necessary ingredient of healthy interaction. This is encouraged and any tendency towards bureaucracy which clogs up such communications has to be discouraged. However, the use of informal channels of communication places a responsibility on managers to ensure that the formal relationships are not embarrassed. This is achieved by ensuring that the results of informal discussions are put through formal channels before decisions and actions are taken.

6.7 Long-range Planning

A very effective tool in managing change is that of long-range planning. We, as a company, have been preparing Five-Year Plans during the last decade and we are in the third Five-Year Plan period for the organisation. Although several of the detailed figures about markets and investments cannot be accurately predicted for a five-year period, the benefits of this planning process are: (a) to induce the top management to identify and then to evaluate options available to the organisation in

relation to future growth and investments; (b) to evolve a strategy for pursuing the selected option even while the normal business is proceeding; and (c) to set certain objectives and targets so that there is a sense of direction and purpose for the whole organisation as agreed among the top management. This ensures commitment and clarity of purpose among the top management which in turn will percolate to other layers.

Such planning also brings into bolder relief the resources required in terms of money, and more importantly of management. This enables the organisation to recruit or develop the requisite management or alternatively to realise the limitations of resources and modify its plans accordingly.

Without such long-range planning, none of these will take place. Over the years we have learned to use long-range planning to define the above broad parameters, and not to predict details. In other words, the process of planning and broad directions of change emerging from that process are more important than the figures and details of the plan.

7. CHALLENGES OF THE FUTURE

Lest I leave you with the impression that we have successfully managed all aspects of change, let me conclude by sharing some examples of the changes that we are yet learning to manage.

7.1 Attitude of Younger Entrants

Probably along with many other employers, we have noticed a marked difference between the attitudes of the younger entrants as compared to the older ones at all levels.

The younger managers seem to be more professional and more task and result-oriented. They seem to need more orientation to people although they have a well-developed sense of social justice. Somewhere along the line loyalty and feeling for people have to be developed in them.

The younger workmen entering the factories find it difficult to accept leadership, they are inclined to be less regimented and they are yet too young to consider long-term consequences of their actions. This is a change that several organisations are facing and for which the best way of managing it is yet to be evolved.

7.2 Narrowing the Income Differentials

The differentials in income between management and unionised staff and among management staff at different levels have narrowed down over the years. While on the one hand top management remuneration has been pegged and is constantly under threat of further diminution, Industrial Tribunals have steadily increased the wages of unionised staff so that today senior clerks draw significantly higher salaries and, due to their 'workman' status, enjoy far greater job security as compared to managers, who shoulder much higher responsibilities. This phenomenon will create stresses within the organisation in the long run. It is also possible that as more and more young talented people find that income limitations do not apply to other activities such as trading, consultancy, self-employment, etc., they may migrate to these activities rather than join the ranks of management. This could result in another form of pressure on the resources of the enterprise. We have yet to cope with this change, which the political environment seems to force on us.

7.3 Attitude of Trade Unions to Change

Over the years we have been able to make many changes with mature understanding of the workforce and the trade unions. These changes have, in fact, enabled the company to grow and the employees to prosper. But the pace of changes will continue and constant attention to preserve and improve the understanding with trade unions is an important ingredient of successful management of change.

However rational and beneficial a change might be, and whatever assurances one might give, it is not always possible to expect trade unions to accept, even less to approve changes that may affect employment. On the other hand, as a company tries to improve its productivity, it has to change its methods which could result in diminution of the employment potential in a non-expanding section of the business. Wiser trade unions would seek guarantees regarding existing personnel and help to promote growth of the company to increase overall employment in the long term. But this is not by any means the more common attitude of trade unions.

Just as it has been necessary to devote a great deal of effort to train all levels of employees to adapt to change, perhaps it may be necessary to expose trade union leaders and officials to new knowledge and skills to cope with the changing environment and the changes induced in an organisation.

7.4 Continuing Diversification

As a large company with a dominant position in some of its traditional lines of business, we have to reckon with the limitations that may be placed on the expansion of our existing business. At the same time, the company has to grow. This has meant that we have to enter new fields of business, our assets being our management skills, capital and the loyalty and commitment of the employees.

This will remain a continuing challenge to the management of your company—to find new projects which are sound and viable, to carry conviction with shareholders, to obtain all necessary permissions and licences from Government, to raise the necessary additional finance and to execute more and more complex capital projects. In other words, the style of management has to become more entrepreneurial and risk-taking than in the past.

One of the weaknesses of professional management in my view is its lack of entrepreneurship. So we have to retain our professionalism and yet develop greater entrepreneurship skills among our managers. Perhaps, the profit centre-wise decentralised organisation of the company will help in this process. Or is it that entrepreneurs are born and we have to identify and promote them within the organisation?

7.5 Consumer Goods and Core Sector

With the addition of the new projects initiated during the last five years, a major part of the company's investment is in the core sector and areas of sophisticated technology. It is projected that this trend will continue and that even in terms of turnover, a corresponding change will occur. It is only because the turnover to investment ratio is much lower in capital intensive industries that this change in character of the company is not fully reflected in its turnover.

This change in pattern of investment has meant a change in the composition of management which has become increasingly technically oriented. Already, half of our management consists of scientists and engineers. During such a transition it is necessary to ensure that it does not create insecurity among the traditional management, especially in the consumer goods divisions of the company. One of the greatest strengths of this organisation will continue to be its marketing and distribution skills. While the emphasis on core sector and exports are relevant for the present, it is equally important that as the per capita income increases in India, the importance of our delivery system which reliably supplies essential commodities to all parts of the country will become even greater. For it is only when essential products of reasonable quality and price are delivered to the rural consumer that an improved standard of living becomes a reality to him. Therefore, even while we extend our activities into the core sector, it will be our endeavour to maintain the balance of activities within the organisation.

These then are some of the several changes which we are yet learning to manage. As an organisation that is continually seeking change—but change with stability and balance, and due concern for people at all levels, we are all the time learning how to manage this change. And we firmly believe that well-managed change is the secret of growth and vitality in any organisation.

NOTE:—This does not purport to be a report of the proceedings of the Annual General Meeting. If any shareholder wishes to have a copy of this speech in booklet form, please write to:— The Communications Department, Hindustan Lever Ltd., P. O. Box—409, Bombay—400 001.

Falling output irks industry

At the 51st annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI) held in the capital on April 22, 1978, Mr B. P. Poddar, the outgoing president of the FICCI, pointed out that the rate of growth in industrial production during the past year had fallen. He also ventured the viewpoint that if the momentum in industrial growth gained in 1976-77 had been maintained, it would have been possible to produce additional industrial goods to the tune of Rs 1500 crores in 1977-78. Unfortunately, a number of industries such as textiles, wagons and footwear had become victims of recession. The cotton textile industry, said Mr Poddar, continued to be afflicted with the burden of producing uneconomic controlled cloth. Jute industry would be unable to face international competition with the withdrawal of cash assistance on hessian. On top of all that, a number of industries, almost in all states, had been prevented from reaching full capacity output because of power cuts and labour strikes.

The full text of Mr Poddar's address is given below :

ON YOUR behalf and mine, I would like to express special gratitude to prime minister, Mr Morarjibhai for being with us today. Permit me to say, Sir, that the annual session of an all-India premier organisation like our federation is not a mere routine. It is an occasion for a wide-ranging discussion on economic issues to promote better understanding of policies and problems relating to development programmes. The advice that we look forward from the prime minister is an essential part of this endeavour.

The year that has passed has been remarkable in many respects. The foreign policy of government under your able leadership has displayed deftness and determination in international diplomacy. The federation too has made its humble contribution to the strengthening of the external economic relations. We had meetings at business levels with counterpart organisations in countries like Bulgaria, Burma, Chile, Denmark, Ghana, Hungary, Italy, Japan, Kenya, Korea, Liberia, Nigeria, Norway, Poland, Senegal, the USA the USSR, Vietnam and Yugoslavia. The federation's delegations were most representative in that public sector enterprises also participated. Our dominant impression is that the developed countries are becoming more protectionist and inward looking. Tensions are building up and the international order is in disarray. We must reinforce our own economic foundations.

The present economic situation in our country has many reassuring features. Food supplies continue to be good; prices have been stabilised; foreign exchange reserves are comfortable. Nevertheless, the economy is not moving as fast as it should. I shall later spell out the reasons for this and the kind of corrective action that, in my opinion, requires to be taken. If I highlight what requires to be done, it is not as if I am unappreciative of the initiatives already taken by government. I shall, however, be failing in my duty if I do not express concern and anguish over the undesirable and even dangerous pressures that are mounting in our body-politic. A general theory of conflict is being voiced. Logic and facts are being thrown over-board, whether in the discussions on centre-state relations or in advancing special pleadings on behalf of one section or the other. The latest interpretation of the Supreme Court as to what constitutes industry under the Industrial Disputes Act has very wide ramifications and will adversely affect the running of educational, medical, cultural, religious and charitable institutions. The reported decision of government to abolish through a constitutional amendment the fundamental right to property is disquieting for this right is as essential to maintaining a free society as freedom is essential for the survival of the basic rights of the citizen. I submit that unless we harmonise a healthy plurality of interests and institutions with a sense of common purpose and responsibility, we will be unable to face the growing uncertainties in the world situation.

I welcome the steps taken by the government to free the economy from superfluous controls such as the removal of restrictions on inter-state movement of wheat and rice, the liberalisation of industrial licensing and import regulations. However, much more has to be done to fully release the forces of growth, Even a small retailer in a small town has to comply with complex and multiple procedures and is exposed to the discretionary powers of ever so many authorities. The plight of those who are running small-scale industries is, if anything, worse because the number of government departments they have to deal with is still larger. The constraints on medium and larger enterprises are legion.

Curse of Poverty

The persistence of poverty, despite the last thirty years of development, can be traced to two basic causes. First, the planned rate of growth was never reached, not because the tergets were ambitious, not because the financial resources were lacking but because plan programmes were not implemented in time. It usually took eight years to complete a five-year Plan. The second reason is that economic policies underwent total and sudden shifts without rational justification. The concept of 'rolling plan' is functionally good but it should not become an alibi for shortfalls in implementation.

We appreciate the new emphasis on rural development. This is logical, for India lives in her villages. Such develop-

ent is not the responsibility f government alone; it has be shared by us in business s well. I am aware that uite a few businessmen have one commendable work in his field. But the task is stuendous and it is the moral bligation of everyone of us participate in this worthhile cause. The federation as addressed itself to this uestion. A rural developnent cell has been set up. A study on 90 bankable chemes covering tiny and ottage industries has been nade. Our accent is on encouraging enterprises to assist he agriculturists and the artisans to upgrade their skills and improve their tools of production. I appeal to all businessmen to take up this national activity as part of their normal work. We naturally expect the full cooperation of different authorities and also the elimination of procedural delays that so often dampen enthusiasm and slow down effort.

Employment Opportunities

No doubt, multiplication of employment opportunities must receive the highest priority. But it should not mean going back to primitive and ostensibly uneconomic technology simply because it is labour intensive. Take, for example, sugar. Government seems to have taken a decision that all future expansion will be reserved for khandsari units. It is true that per unit of output, employment in khandsari is four times and capital a half of that in sugar. But, to produce a similar final product, twice of the amount of cane will be required if production is undertaken by khandsari units. We can hardly afford this.

Rural development is the starting point of action; it is not a complete national development strategy. For, rural development has inextricable linkages with other sectors. Irrigation creates demand for cement, steel, pipes and tubes, diesel engines, pumps and so forth. Improved agricultural methods depend upon the production of fertilizers, pesticides and agricultural machinery.

Transport Network

The linking of villages to urban centres requires an efficient transport system which will need roads, commercial vehicles and wagons. The emergence of tiny, village and small industries will have to be supported by requisite machinery and tools. Besides, there would be demand for a variety of other manufactured items. Rural development thus pre-supposes a strong and growing industry. It is not a substitute for industrialisation.

However, the growth of industrial production has slipped. If the momentum had been maintained, additional output of Rs 1,500 crores could have been produced last year. A number of industries like textiles, wagons and footwear have been the victims of recession. The cotton textile industry continues to be afflicted with the burden of producing uneconomic controlled cloth. Our jute industry will be unable to face international competition with the withdrawal of cash assistance on hessian. On the other hand, the last union budget put up the rates of duties across-the-board and has even imposed a levy on electricity and coal. equally sad is the fact that a number of industries, almost in all states, have been prevented from reaching full capacity output because of power cuts and labour strikes.

The nationalised coal industry is unable to supply coal of requisite quality. Notwithstanding the hike in prices there are heavy losses which the exchequer has to bear. There can be no difference of opinion that coal will continue to be a major source of energy and, therefore, it will be necessary to increase coal production of requisite quality. The objective can be attained if a pragmatic policy is followed. There are plenty of coal bearing virgin areas which can be exploited and it is time to think whether the private sector should not be allowed to use its expertise and supplement the production in the public sector. This will also introduce a greater consciousness in nationalised mines about quality, costs and services. If the private sector is to play its due part, which it can, allow me to say, Sir, that a quick review should be made of the arbitrary manner in which the quantum of compensation to erstwhile colliery owners was determined, and the payment which is overdue by five years should be expedited.

Area of Concern

There is another area of concern. Our railway system, which is the second largest in the world, is under strain for a variety of reasons. There is cross movement of essential bulk commodities like foodgrains, cement, coal and the like. The public sector corporations are the major users of railways and they should resist the temptation to use wagons as godowns on wheels. Railways on their part should enlarge haulage capacity in keeping with the expected upward trends in agricultural and industrial production and the new development centres that may emerge. I suggest that government should set up a committee consisting of representatives of railways and major users from public and private sector enterprises to go into the whole matter. Equally, our automobile and road transport industry, whose employment potential is immense, has to be invigorated. Not only the move to abolish octroi duty should take a final shape soon, but the exhorbitant rates of taxation on vehicles, spares and fuel must be substantially scaled down and rationalised. At least two-thirds of the revenue so raised must be earmarked for road construction which is another employment spinner.

Disconcerting Factor

Perhaps the most disconcerting factor is the fall in the rate of investment in recent years. The Finance minister also has expressed anxiety about this trend, but has done almost nothing in the 1978-79 budget to remedy the situation. My analysis is that new investment has got a setback for two major reasons: First, there has been a sharp rise in project costs. A fertilizer plant of 2.3 lakh tonnes capacity which cost Rs 60 crores 10 years back would now cost more than Rs 200 crores. This means that depreciation and interest alone would amount to 46 per cent of the cost of production compared to 19 per cent in the case of older units. The crucial problem is how this initial handicap of 27 per cent in the cost of production can be made good. The second constraint is the present state of the capital market. Industry is not in a position to float new issuss because of the high

level of corporate taxation which has put profits and dividends completely out of alignment with the market rate of interest.

A nominal reduction in interest rate has been undertaken following the abolition of the tax on interest. But it is far too inadequate to make an impact. The stringency of bank finance continues, and the recent Companies (Acceptance of Deposits) Amendment Rules, 1978 will also lead to further drying up of an alternative source of finance available to the corporte sector. From all accounts an important decision like this has been suddenly and unilateraly taken without prior consultation with the concerned economic ministries. The progress of the soft loan scheme has been too slow and the process of modernisation and rehabilitation has not even got going. Unless development finance is sufficient to support investment, growth will not come up to the requirements.

Price Controls

While these problems are shared by most industries there are some special issues which are faced by industries subject to price control. Take cement. Capacity has been almost stagnant for some time and demand has outstripped production. Government have already contracted for the import of one million tonnes of cement at a cost which is higher than the domestic price by nearly 200 per cent. But there is unwillingness to concede even a marginal increase in the retention price to domestic producers, which is vital for inducing growth. I cannot appreciate the logic of this policy which stops domestic growth only to import from abroad the same commodity at a higher price. There is another dimension to development which cannot be neglected. This relates to our external transactions. Markets assiduously built over long years have been suddenly snapped due to ban on exports of selected items. Exports are not amenable to a switch-off switch-on policy. A long-term view is absolutely essential. We have also to make the best use of our foreign exchange reserves by importing capital goods and raw materials. This would be possible if investment in industry and power is made more attractive.

Warning Signal

No doubt, government have budgeted for large investments in critical areas including irrigation and power. This will increase the general demand for all kinds of commodities. The recent spurt in the share market must be looked upon as an advance warning signal of the tardiness in growth, possible emergence of shortages and the likely rise in commodity prices.

I have juxtaposed rural development and industrial growth because they together form a consistent development design. In this over all context, I would like to put for consideration of government and business a few suggestions:

(i) The Planning Commission should work out detailed time-bound area programmes. The responsibility of different developmental agencies like the central government, the state governments, local organisations, voluntary agencies and private business should be clearly demarcated. Since the implementation of these programmes is of crucial significance, a ministry of Rural Development should be set up both at the centre and at the states. Also, a new cadre of rural managers must be created.

(ii) Business enterprises must take up rural development activity as part of their normal work. Such of those enterprises that are not in a position to initiate action on their own must contribute to organisations which are engaged in rural activity. FICCI which will be only to happy to provide all relevant information and assistance in this behalf.

(iii) It is welcome that the Finance minister had a series of discussions with the states about the merger of sales-tax with the excise duties. Till this objective is achieved, at least a certain modicum of rationality in the structure and uniformity in sales-tax rates and procedures, as between states, needs to be secured.

(iv) Excise duties should be lowered in respect of industries which are facing demand recession.

(v) To stimulate investment it is imperative that the cost handicap is counteracted. Therefore, the excise duty rebate scheme should be modified both in regard to the rate as well as the period so that capital heavy industries are adequately compensated.

(vi) Customs duty on all imported capital goods has to be substantially reduced and the payment deferred over a period of time. The interest of domestic manufacturers can be safeguarded through support measures like additional investment allowance.

(vii) With the increase in prices since the enactment of the Monopolies and Restrictive Trade Practices Act in 1969, the Rs 20 crores norm in the concept of 'concentration of economic power' should be appropriately revised.

(viii) Obviously, development industry and agriculture has to be financed primarily from domestic savings. Hence, all productive savings should be exempt from income-tax. This will energise the capital market and throw up funds for corporate investment.

(ix) To generate internal savings by enterprises as recommended in the Janata Party Economic Policy Statement, the level of corporate taxation will have to be brought down substantially.

(x) If prices of commodities have to be fixed for any reason, the controlled price should be such as to attract new investment, otherwise scarcities will perpetuate.

(xi) Power is the most important development input both in agriculture and industry. Power generation and distribution have to be effectively managed and power plan implemented on a crash basis. Private electricity undertakings should be encouraged to generate and distribute power and industries financially assisted to set up captive power plants.

(xii) Strikes should be made an ultimate alternative to be used only when all other methods have failed. Violence in any form should be strictly dealt with.

If I have set out at some length the deficiencies in the present economic set-up, it should not be construed as taking a negative attitude. There has to be a critical self-appraisal rather than mutual recrimination. A better deal for any section cannot be realised without self-restraint. I sincerely believe that if there is a unified effort on the part of the authorities as well as all economic groups, in no time we should be able to overcome the impediments and forge ahead. The promise of tomorrow can become a reality to-day.

PM seeks working arrangement with industry and trade

While inaugurating the 51st Annual Session of the Federation of Indian Chambers of Commerce and Industry, the prime minister, Mr Morarji Desai discounted the fears of industrialists that rural development was going to displace industrial development. He stressed that there was no question of going back on industrialisation but of finding a happy combination of both. He exhorted industrialists to go in for rural development as this was in their interest in the shape of bigger market for their products. The text of his speech is given below :

'MR PRESIDENT and friends, I had said that I don't want to continue the practice which had grown over the years for the prime minister presiding over your annual meeting or being the chief guest. I can understand your desire to meet the prime minister and discuss with him many problems, but that cannot be done in a meeting like this. It becomes more of a fault finding business or a mere ceremony. I don't know whether it results in an appreciable advantage to you or to the country or the government. And it is therefore that I said that you should not ask the prime minister to inaugurate your annual conference every year.

Timely Warning

On occasions, I can understand. But I don't know why it should be made the practice. But then I was persistently requested to come and I did not want to live up to my reputation of being a very obstinate person. Therefore, I have agreed, but agreed with a warning that next year I would not come and ordinarily this should be the practice. So, I hope I will not be asked by your successor next year to come here. And if you ask me you will get a flat no. So please look at it from the point of view of usefulness.

I have gone through the adress and listened to it here. I cannot say I have been satisfied. I am disappointed, if I may, say so, because there is no departure from the routine. I am thankful for the good words used about some things which have been done by the government. But don't you think it is not quite appropriate that every good thing should be accompanied by a 'but' ?

External Relation

External relations are good, 'but' exports are not going up. Now, what is the direct connection between foreign policy and exports ? What I see in the whole address is fault-finding. There is fault with government, there is fault with labour, there is fault with other people, but there is no fault with industrialists and business people. I don't find anywhere any shortcoming of the industrialists mentioned. Now is it possible for any person or any group to be free from all blame ? But this is what you want me to believe. Will it do good?

I am thankful for all the advice given to me and I am in need of advice because nobody can know everything and I am very conscious of it. The government is concious of it. Therefore, we welcome criticism and suggestions. But, public criticism and public suggestions do not always lead to good relations, unless it is mutual.

Rural Development

Then again you say rural development is good, but then it should not disturb industrialisation or it cannot take the place of industrialisation. Now, what is the meaning of it ? I don't know how much you understand of rural developmsnt. I wish you studied it more. After all, where has government ever said that rural development is going to displace all industrialisation?

This criticism was being made by the opposition, I suppose some of you still live with the old associations. It has been explicitly stated that there is no question of going back on industrialisation. The question is of a happy combination of both.

What has been said is that as the rural areas have not come up, which is evident, we must pay more attention to them and see that they come up. That is in your interest also. If the rural areas, which means 80 per cent of the population, become prosperous, then you will have more customers, you will have more sales and you will have more profit, about which you are particular. Of course, no business or industry or no work can be done without profit. I agree. If anybody says that any business or industry should be done without profit, I am afraid I would only say that he has lost his sense: No work should be done without profit but profit cannot be only rupees. It can be also in human satisfaction. There are different degrees of profit and different kinds of profit, but profit must not be based on the misery of other people. That has got to be seen.

You say you are taking to rural development. In spite of all that I have been saying in one year and appealing to you, only about 70 people have come forward. And how many are here ? Why don't you all get interested in it? Why don't you undertake it wherever you are ? Of course, I cannot force you and I don't want to force you. But it is in the interest of your own work. It will give you more credit and will give you greater insight also. The interest of all of us lies in the interests of the common man and that we are not considering. This is what I would like you to consider.

Concerted Effort

We can be happy only when everybody is happy in the country, when everybody is without want. How is that to be achieved. Is that not your concern also ? Is it the concern only of the government to see to it ? It is the concern of all of us. Those who are able to do it have got to see that they help in the process. And the rural areas have been neglected or have not been attended to as much as they should have been attended to, if I may say so, not because of deliberate default by anybody, but because their importance had

been realised. And I doubt you realise it even today. erefore. we must first of all fully conscious of it, if I ay say so. And if this is taken in right earnest, you have e managerial capacity that is work needs. You have so the amount of resources ou can use for this purpose hich will give you also good eturn ultimately. I have no oubt about it. And then the ork will go on fast I hope, herefore, that you will consi- er it and give it proper hought and do the maximum hat you can.

You have referred to exports. You seem to think that once exports are made, they must continue always, irrespective of whether things are required here or not. How can there be a permanent thing like this? Yes, it can be for industrial products, but even there it may not be so because it also will depend upon demand from outside.

Domestic Needs

But, in the matter of agricultural produce, which is required for daily consumption at home or for industrial purpose, should we export things at the cost of our own people? Should we export if domestic prices go on rising and people put to difficulty? When there is a short supply, there cannot be any exports. Therefore, the government has got to regulate exports according to the needs of the people. The needs of the people must be paramount, not the needs of exports or needs of finance or needs of anything else. Other things will adjust themselves if we look at the legitimate needs of the people who are not yet able to look after themselves. Once people are able to look after themselves and have sufficient courage, I am quite sure that we will be regulating ourselves much more satisfactorily and we will have much better relations *inter se*. But, isn't it our duty to see that those who are not able to do it are enabled to do it ?

Problem of Affluence

Do we want the affluence of the West ? If you want it, well. But I would not be with you in the matter. Affluence has created many problems in the western countries and they are heading now towards destruction. They are conscious of it; and they want to get away from it, but we want to imitate them! We must have plenty of everything, I agree, but affluence is something different. We do want plenty for everybody of the essential requirements of life. And unless we are able to assure that to everybody, we will not be able to make our country the happiest country in the world. That is what we want to do and it is this country which can do and not at the cost of others. On the contrary we want to be happy in order to see that the whole world is happy.

We must not forget that the world now is very small. It has become very small, shrunk because of communications. And we go anywhere and everywhere quickly and everybody is affected by everybody else. We cannot, therefore stay alone, live alone or be unaffected by what is happening. But we should not be infleenced by wrong things. We should take to right things so that we are able to convey those things to others also. If we want to be happy, it is in order to make our contribution to the whole world becoming happy. But we have to do it here and I think there is more potential in this country for such a society than in any other country, because of our rich heritage.

But how many of us are conscious of that rich heritage? Mahatma Gandhi gave us the ideal of trusteeship. It was not a new concept. It has been there inherent in the culture of this country. There were rich people, very rich people in this country, but they never flaunted their riches before other people. They utilised the riches for all people. They gave up everything to satisfy other people and did not shirk their responsibility. Wealth must be considered a responsibility. Are we doing that? Should we not begin doing that? You would want mc to be a trustee, but you would not like to be trustees. This is the malady with all of us in this counsry. I don't blame you only. You cannot be different from other people. I cannot be different from you.

Spirit of Understanding

We have got therefore to pull ourselves together, not in any spirit of conflict or controntation, but by trying to understand each other. More than that, we should understand the potential of this country, the requirement of this country and the goal of this country, which is to see that every person is happy. How much have you contributed to that? I should have been very glad if you gave me some idea about it.

There are many wrong practices indulged in by the business world, the industrial world. That cannot be denied. There is unaccounted money. Who is responsible for it, You will immediately say that government is responsible, that it is taxation which is responsible for it. Why should taxation make anybody a thief? I don't know why it should do. But we do not look at that problem also properly. I grant that the present taxation system is not a good one. It is a jungle, if I may say so. We have inherited. it. We have got to make a rational rearrangement of it. You want me to reduce taxation on various things, but could you suggest to me how best I can get the resources otherwise? After all, government will have to have more and more resources to help those who require more and more facilities to come in line with other people.

Government has to spend money for them. Where is that money to come from? You give me a pattern of a budget for the requirement, and I am prepared to take it. But there you will never agree. One industry will say, "Spare us, take it from another." When you are all together you will say "Take fromnone". Who is going to satify the needs of the country?

Earnest Plea

Therefore, I would earnestly request you to think about all these things and give suggestions which we can carry out. I am interested in them. We are all interested in them. We have to live down many past practices. We have inherited them. That is not the fault of the present generation. I don't therefore find fault with anybody. I am not one of those who think that industrialists or businessmen are all wrong and others are all good. I would never say that. Wrong practices are there everywhere in all sections of society. As a matter of fact, politicians have an even worse reputation than

usinessmen or industrialists. hey are considered unscrupu- us. We all say that against ach other and then we also ay "We must be friends". ow are we going to be iends? No profession is bad, xcept the profession of thiev- ng and dacoity. All other rofessions by themselves are onest. It is men who make hem bad. Politics by itself s not a bad thing, Politics is ssential. Politics means the rt of government. It is vital or the country, for society. No society can afford to be without government, because society can never be perfect and as long as it is not perfect, a government is required. Therefore, politics has to be there. But politics has many temptations. Therefore, people in politics go wrong.

Tempting Opportunities

Similarly, industry and business, where large money comes, also have a great temptation. Therefore, they also go wrong. Poor people have less temptation. They don't go wrong. There are far more poor who are honest than others. We have got to see that those who can afford to be more honest, the poor people, will come up, Once they come up, then we shall have a proper society. How to bring them up is the main question?

We suffer from all kinds of injustices. We have Harijans, we have tribals, backward classes and they are backward because they have been kept backward. If they shout about their condition, we find fault with them. Sometimes they shout more than they ought to. But unless, they shout they will not be heard. We have got, therefore, to be sympathetic to them and find out remedies so that they get over these infirmities. Those who do not have infirmities cannot have a conception of the infirmities of other people. A man cannot understand what pain a woman undergoes in giving birth to a child and still you will give advice to her. This is the tragedy of human society. We have got. therefore, to get over all these things.

We have in this country a culture which has enabled us to do all that. But we have lost sight of it. We are not proud of it. Who is going to bring it back? Those who are in power, those who are in wealth, those who have intellect, those who have labour. All of them have to combine and do it. But we can combine and do it only when I do my duty and do the maximum that I can and am prepared to hear about my shortcomings from everybody. Only then I am qualified to say something to others. This applies to every section. I do agree that we have to set an example, That is what government has got to do. But those who have power in the form of money, they also have to set an example. That is why I say that you must think more about it how best you can do it.

Rolling Plan Concept

Now, look at one thing that you have said: "The Rolling Plan idea is good, but it should not be an excuse for bad implementation". Now, why should you have said that? It only means you do not understand it. The Rolling Plan concept has been introduced in order to see that the implementation is proper. You have not got to the heart of it and yet think that you have to criticise it. I don't mind criticisms, but uniformed criticism does not do good. They very concept of Rolling Plan is there only to see that implementation is done properly. At the end of every year, we shall take account of it and improve upon it and still have proper five-year planning and perspective planning. And yet this is what you say. I do not know why this 'but' every time. But I do not see any 'but' about industries or business.

Finding Fault

You find fault with recession in textiles and other things and lay the blame on everybody else except yourself. Have not many of the mills gone down because of mismanagement? I am prepared to take up the case of any industry which you show me and prove it to the hilt that it has gone wrong because of the mismanagement of the person concerned. But you would not like me to examine it like that. Then what has government to do? This government has got to find remedies for it. But when government finds some remedy, again you go at it.

You go at the public sector. Why? Both public sector and private sector are complementary. They are not in contradiction and yet you go on thinking like that. The field before you is not small. It is very vast. But should there not be more and more people in industry. That can happen only when there are no monopolies. Not monopolies as such as the concept of monopolies. Industry should be more broad-based. I am, therefore, also considering what should be done about it.

You have referred to banks, to credit, to interests. Interest rates are high. It is easy to create a nuisance, but it is difficult to remove that nuisance immediately. That takes time. But why have the interest rates gone up? One of the factors is that deposits i industry and business began t pay very high interest. The begin to attract away savings That was one of the reasons though not the only reason I do not want to say that ther should be no deposits in in dustry or private business But we must have some re gulations about them and mor understanding. Mere lega provisions do not always help They can be avoided. Bu when there is honesty, ther laws function properly. Thi is what we have go to bring in This is the responsibility o government and business people in industry. Let us keep that in mind in all that we do. And you will see quite a different country. The problems will find solutions very easily. And we will have far quicker progress. But quicker progress cannot come in if you work as if we are against each other's interests.

Working Arrangement

We must arrive at a working arrangement where we change the spirit of the whole working. I would like to have your suggestions because I do not have solution for everything. I cannot have. I would be stupid if I said so. But you also do not have all the solution either. Therefore, we must think together and find out solutions which will be effective. And once we do that, we will go ahead.

I think I have said enough. I have to run away because I have another engagement. I do not know whether I have said things which you like, but I have not said anything in a spirit of criticism. I do not apply it only to you. I apply it to all of us. I hope you will give it due consideration and also depart from this routine in future.

FICCI resolutions—1978

The 51st Annual Meeting of the Federation of Indian Chembers of Commerce and Industry was held in New Delhi from April 22-24. The meeting discussed the economic climate in India and the world. The meeting passed resolutions the text of which are given below :

Rural Development

AGRICULTURE IS a vital source of basic consumer goods like cereals, pulses, fruits and vegetables and of raw materials like cotton, jute, sugarcane, oilseeds, etc. While there has been considerable increase in production since independence, the rural sector has not benefited to the requisite extent. Unemployment and poverty persist and, therefore, comprehensive rural development as policy objective has become both imperative as well as urgent.

Such development is not the responsibility of government alone. Business enterprises can make substantial contribution to and also benefit from increased job opportunities. The market for manufactured goods will be enlarged. No doubt, the finance for irrigation projects, roads, electrification, etc will have to come from the budgets of the central and state governments. Even so, if business houses and industrial units take up rural development as an integral part of their overall operations, the results will be quicker.

Mere relief measures provide no lasting solution to the basic problem of rural poverty. Only a planned programme, together with sustained interest and efforts, can help bring about enduring progress of the countryside. It has to be pursued and evaluated on the basis of certain criteria so as to ensure wholesome results:

(i) Rural-based industrial units should preferably take up rural development schemes in areas situated near their factories;

(ii) Urban industrial units which draw their raw materials from rural areas or get a significant proportion of their workers from rural areas might carry out the schemes in those rural areas;

(iii) Other urban-based units might select areas where active cooperation of suitable social organisations, already engaged in development activities, could be secured. They can also avail of consultancy services through some of these social organisations.

(iv) Industrial units that cannot take up these activities on their own, could work through reputed voluntary organisations like Bharatiya Agro Industries Foundation (BAIF) or Institute of Cultural Affairs (ICA) that have initiated concrete programmes of action for providing gainful self-employment for rural people and eradication of rural poverty.

The recent amendment to the Finance Act 1961 providing for Section 35 cc whereby business and industry, both in the corporate and cooperative sectors can get tax benefits on expenditure incurred on approved rural development programmes and the policy of involving voluntary organisations in the planning and execution of rural development projects have opened new vistas for the business community and voluntary organisations to work in partnership for accelerating the pace of rural development.

The federation will be happy to help business enterprises in the following ways:

(i) Selecting the villages for implementing rural development programmes;

(ii) formulating suitable programmes based on the funds available for the purpose;

(iii) locating suitable social organisations in those areas whose cooperation in carrying out these activities could be secured;

(iv) locating suitable experienced persons who could be employed by the concerned units to be in charge of these activities on their behalf;

(v) arranging training facilities for social workers/business employees who could be assigned this work;

(vi) securing consultancy services of experienced voluntary agencies on mutually agreed terms and conditions; and calls upon them to actively promote rural development.

Pre-requisites for Growth

It is encouraging that after a slow-down in growth the economy picked up last year. Even so, the pace of development is far smaller than necessary. The economy can and should be enabled to achieve a growth of about seven per cent per year which is vital to resolve the immediate problems of poverty and unemployment. A high growth presumes corresponding investment and savings. What is more, development should lead to a widening of entrepreneurial base. In all these respects the present economic policy needs to be substantially reframed.

Full employment has to be achieved in the next 10 years. The vast bulk of this employment will have to be found in agriculture, transport and housing, apart from small and large industries.

The increase in irrigation potential is vital to enhance the employment potential of land. Similarly, provision of housing facilities can create large employment directly in construction as also in the production of inputs. Another important labour intensive sector is transport which will generate large employment in varied activities like road construction, petrol pumps, repair shops, etc.

While designing a national development programme on these lines, it is equally necessary to give preference to the methods of production which utilize more labour and less capital. This is the main consideration in the emphasis on small-scale industries that has been placed by government in its industrial policy resolution.

Savings & Investment

The budget for 1978-79 makes a mild attempt to step up the savings rate. The incentives offered are weak and insufficient to induce savings to the extent required. Hence it is suggested that:

(i) All productive savings should be exempt from income-taxation and the marginal rate of taxation substantially brought down;

(ii) The general rate of corporate taxation should be reduced to 50 per cent and the surtax withdrawn.

Investment in recent years has been sluggish. There are two sets of factors which have led to the present situation: First, investment has become unattractive for a variety of reasons like the high cost of projects, price controls, etc. Second, adequate resources are not available and this has made worthwhile investment

difficult. The federation would suggest for consideration of government the following steps:

(i) Selective reduction in excise duties with a view to reduce prices and engineer a rise in demand in industries exposed to recession.

(ii) Modification of excise duty rebate scheme to compensate industry for the increased depreciation and interest charges following the sharp rise in project costs by fixing different rates and periods for different industries according to their degree of capital intensity.

(iii) A constructive price policy which will ensure a fair return, as commercially defined, on new investment.

(iv) In respect of loans, the financial institutions should not insist on convertibility clause. The debt-equity ratio should be appropriately relaxed depending upon the nature and requirements of different industries. The promoter's contribution has to be limited to 10 per cent of the project cost or 40 per cent of the share capital, whichever is less.

(v) The revival of the capital market will depend very much on the rate of dividend in relation to the rate of interest. The RBI has reduced the interest ceiling from 16.5 to 15 per cent. A further reduction is necessary as also in the interest on loans from term lending institutions.

Broad-basing Entrepreneurship

The economic development should involve participation of an increasingly larger number of people both as manufacturers and workers. Economic development on these lines, while creating employment and broad-basing production, will also strengthen industrial democracy and promote diffusion of economic power.

The development of small-scale industry is the primary means of widening the entrepreneurial base. This development has to be undertaken not only with government support but with active cooperation from large and medium industry as well. Apart from ensuring quality control and giving technology and know-how, steps should be taken to provide proper marketing facilities to small and tiny industries.

The growth of small and large industries is complementary. Small sector can develop faster only when the large industry is expanding rapidly. Hence policy needs to be devised which will stimulate general industrial growth while giving special attention to the small sector. In this context, the federation suggests the following:

(i) Industrial policy should be based on the fundamental criterion of growth. A growth rate of five per cent per year, on an average, should be a built-in factor in the industrial policy.

(ii) Apart from reservation of items, small units should be given fiscal and monetary advantages through lower rates of excise duties, rate of interest, preference in government purchases, etc. These should be quantifiable and fixed at a level which will give small-scale industries a measurable net advantage in competition with other units.

(iii) Government should protect the interests of small creditors when management of enterprises is taken over by government.

Distributive Trade

The distribution system in India, evolved over centuries has stood the test of time. It is unique in its reach as it covers every nook and corner of the country, including the farflung and inaccessible areas. The cost of distribution by private trade is the lowest in the world. Being the largest self-employment segment of society, it serves as a major bulwark of democracy.

The system sometimes comes under strain in periods of shortages. The answer to this lies not in substituting it by public distribution but by reinforcing it through a well designed buffer stock scheme. This is particularly necessary in the sphere of essential commodities such as foodgrains and pulses, edible oils and vanaspati, sugar, and much other items which feature prominently in the common man's budget.

It is a matter of satisfaction that in the last few months, intra-state and inter-state restrictions on the movement of foodgrains have been removed. The same has recently been made applicable to edible oils as well. This policy should be taken to its logical conclusion and all constraints on the smooth and speedy flow of commodities done away with.

Against the above background, the federation offers the following suggestions :

(i) While welcoming the announcement of the union Finance minister in his 1978-79 budget speech that the central government has taken up with the state governments the question of removing octroi duties and sales tax and hoping that the results will take concrete shape soon, sales tax on essential commodities like foodgrains, pulses, edible oils, vanaspati and other items of common man's consumption should be removed forth with.

(ii) Till sales tax is replaced by additional excise duty, ce tain modicum of uniformity sales tax rates, as well procedures, are imperativ Introduction of self-assessme schemes, abolition of unnece sary forms, enlargement items taxable at first poin and simplification of proc dures recently recommende by a committee which we into the Delhi Sales Tax Law should be immediately unde taken.

(iii) Central sales tax has t be brought down from four pe cent to one per cent as part o the process of rationalisation.

(iv) The directive regarding stamping of ex-mill price plus excise duty on every metre o cloth has created hardships to the dealers in the absence o definite notion about the final price to be charged to the consumers. The best method of protecting the consumer interest would be through the stamping of maximum retail price and making it clear that this is exclusive of local taxes.

(v) While the Prevention of Food Adulteration Act attempts to weed out the evil of adulteration, it has led to considerable distortion particularly to the disadvantage of retail trade. With a view to sorting out this type of problems, advisory committee should be set up at national, state and district levels representing government, public, trade and industry to help orderly implementation of the PFA Act. The constitution of such a committee was recommended by the joint committee of parliament on PFA (Amendment) Bill, 1976.

(vi) Trade in controlled items should, as a matter of policy, be allowed to be handled by private trade since the supply position in almost all

ontrolled commodities has ubstantially eased.

(vii) Vigilance committees hould be set up at national, tate and district levels repre- enting government, public, rade and industry to foresee ossible shortages and to ecommend advance corrective teps.

(viii) The growing awareness of social responsibilities in the trading community should be further fortified and reinforced by their organisations.

Production Constraints

A developing economy like ours has to contend with many constraints, some avoidable and others not. Power shortage and labour unrest come under the former category. But these factors have surfaced so much lately as to cause serious concern and, unless urgent steps are taken, industrial and agricultural activity will be slowed down and income and employment will be greatly affected. If our economy is to go forward power must be made abundant and industrial harmony established.

Power shortage has been widespread. At the end of 1977-78 power deficit was of the order of about 34 million KWh per day. Over two-fifths of this deficit was in the northern region, the highest being in the state of UP.

The present shortage is not a sudden phenomenon. Power shortage has been persisting for the past seven years in mild or severe degrees. The basic causes of the crisis are (a) inordinate delays in the implementation of power generation programmes, and (b) inefficient management of generating and distribution capacity. To ease the situation and keep power development a step ahead of power consumption the following steps are called for :

(i) A time-bound programme should be drawn up and implemented with utmost efficiency. The objective should be to improve power generation from existing capacity, complete power projects in hand with utmost speed and frame and implement a long-term plan on the basis of future power requirements. To the extent government programmes are likely to take time, power generation by private electricity undertaking should be encouraged and assisted.

(ii) Management of electricity undertakings should be entrusted to professional managers and to develop sustained interest and expertise frequent transfers should be avoided.

(iii) Being an essential service, strikes, go-slow, work-to-rule, etc should be totally banned, creating at the same, time, an effective machinery for redressal of grievances.

(iv) Industry also must take steps to avoid wastage and make the best use of the power available during off-peakhours. Cooperation of labour should be forthcoming in the national interest.

(v) Lower electricity tariff should be offered to induce industry to operate during off-peakhours.

(vi) Industry should be allowed to set up captive power plants and for this purpose given loans on concessional terms. The requisite power equipment may be allowed to be imported if it is not available indigenously.

Industry is also exposed to uneasy industrial relations. This is due to a variety of factors including the backlash of post-emergency euphoria, political realignments, attempts to capture leadership of unions, etc. It is estimated that in 1977 total mandays lost would be over 16 million as against about 11 million in the previous year. The federation would like to put for consideration of government the following specific suggestions for creating greater industrial harmony :

(i) Government should take strict measures against indiscipline and use of coercive methods by organised labour unions.

(ii) The procedures for settlement of disputes should be specified, and unless all stages of settlement of disputes are gone through, strikes and lock-outs should be made illegal. Clear directives should be issued to all the state governments to so gear the machinery that labour disputes are resolved in a much shorter time than experienced today.

(iii) Of late, there have been many incidents where the authorities have not taken action against threats of violence on the ground that violence as such has not been committed. Consequently, unfortunate incidents involving loss of human life have taken place. It is absolutely necessary that government take strict measures against anyone who resorts to coercive methods of threats.

(iv) The structure and function of industrial relations machinery, the conditions for registration of unions and the method of determining the representative character of trade unions for the purposes of recognition as bargaining agents by management in a unit or industry should be very clearly defined.

(v) Suitable modifications should be made in the industrial relations legislation to effectively take care of indiscipline and acts of misconduct detrimental to production and distribution.

(vi) The recent amendments to the Bonus Act have once again re-opened the floodgates of disputes and necessitated even loss making units to make payment of minimum bonus. Moreover, industrial establishments find themselves under great pressure to make payments even in excess of the formula prescribed under the Act. This situation should be remedied in the interest of the well being of the industry and long term interest of labour.

It has to be appreciated that the policy in regard to wage levels in industry should be devised in the development perspective. The objective must be to utilise surpluses to provide additional jobs which will bring out the unemployed and underemployed from the morass of poverty.

Foreign Trade

It is a matter of satisfaction that our balance of trade has substantially improved in the last two years as a results of the sustained effort made to promote exports and bring about import substitution. The foreign exchange reserves have enlarged and now amount to nearly 9 months' import bill. All this, however, should not lead us into complacency and to dilution of efforts to strengthen the balance of trade.

Exports have increased quite substantially both in financial terms as also quantitatively,

hough in recent months the rowth has somewhat slackned. Export policy has to be ooked upon as a part of the overall national policy. In particular export of labour ntensive goods in which we nave special advantage need to be carefully sponsored. In this perspective, the following specific measures are called for :

(i) Exports should not be conceived of as a surplus left after meeting domestic consumption but made a part of our production planning.

(ii) Export is a highly specialised activity and requires to be supported by extensive marketing infrastructure. In particular, exporters should have the requisite facilities to open offices overseas to keep an eye on the demand trends and to assess the export potential. Export marketing is more costly and expenditure on export promotion should continue to get weighted deduction in the computation of tax.

(iii) Exporters should be enabled to continuously maintain and improve quality, adhere to delivery schedules and keep up to the highest commercial standards.

(iv) Export incentive schemes such as cash assistance and duty drawback should be considered as a part of the exercise to make our exportable products competitive.

(v) While considering ban on export of any item a long term perspective has to be taken.

(vi) The potentialities of peoject exports through joint ventures, turnkey projects and consultancy assignments should be fully assessed and positively harnessed. Cash remittances and foreign exchange for visits of technicians and others should be liberalised.

(vii) A scheme should be devised to protect exporters against fluctuations in exchange rates.

(viii) Adequacy and regularity of shipping services at economic and stable freight rates should be ensured.

Import Policy

Our import policy too needs to be geared to play a constructive role in our economic development. The recent liberalisation in imports is indeed welcome. However, a more realistic and broadbased policy framework has to be evolved. In this respect the following suggestions are offered :

(i) It is possible to do away with import licensing for several more items. The process can be gradually extended over the years.

(ii) Import duties on capital goods as well as other essential inputs have to be reduced without hurting the interests of domestic producers. While the budget for 1978-79 makes a beginning in this direction, the list of eligible items needs to be considerably extended.

(iii) Canalisation should be restricted to very few selected items which are considered absolutely essential in the national interest. At the same time the canalising agency should guarantee a specific delivery period. To promote competition, a few leading organisations in the private sector should be involved in the importation of canalised items.

FICCI Awards—1977

The Federation of Indian Chambers of Commerce and Industry has been making awards since 1968 for outstanding contributions in various fields of wider social responsibilities, including cash awards for individual scientists/technologists. In 1975 a new award was instituted for outstanding achievement by a women entrepreneur/executive. The awards for the year 1977 are given below :

Agriculture

The College of Agriculture, Ludhiana, has ever since its inception, contributed significantly to the growth of agriculture by improving and disseminating agricultural technology. Its contributions to research is almost unparalleled for any single state level agricultural research institution in the country. As many as 20 faculty members of the college have been honoured with national awards in recognition of their outstanding research contributions in plant breeding, soil sciences, entymology, plant pathology and vegetable crops. This is because of the depth of educational programme which are fully integrated.

The research by the college encompasses development of high-yielding, disease-resistant and fertiliser responsive varieties of foodgrains, vegetables, fruits and of high-yielding strains of meat and egg-type chickens. It has also carried out experiments on the best use of fertilisers, water management and soil reclamation. Its soil testing laboratories have undertaken analysis of 6.4 lakhs soil samples. Water testing and plant analysis services are also provided to the farmers.

With a view to rationalising the use of underground and surface water under different situations, a new approach has been used successfully for scheduling of irrigation. Weekly irrigation time table has been developed for the rabi crops, including wheat. Other significant contributions of the college in this area include development of appropriate technolc gy for the reclamation of alkaloid soils and the preparation of water quality and soil maps.

In the field of weed control, several weedicides have been identified. The use of farm machinery in sowing, harvesting and processing has been popularised. A separate department has developed 40-high yielding and quality rich varieties of vegetables. New virus-free fruit crops have been introduced, and various agricul tural techniques for use in fruit crops standardised.

The work of the college on plant protection has yielded valuable results in the control of major insect-pests and disease problems. Its major contribution in this area has been the determination of the dose and other parameters for the aerial spraying of cotton, including the implications of insecticides residues.

In the field of apiculture, a new technique was devised for interspecific queen introduction which rendered possible apis-mellifera in India for the first time. Useful work has been done in developing appropriate processing technologies for vegetables, fruits, cereals and milk. The efforts of the college in improving the contents of agricultural technology, its curricula and teaching approach and disseminating the same widely have created a setting

for many sided social and economic change.

Export Promotion

This award is being shared by the Engineering Projects (India) Limited, New Delhi (EPI) with the Projects and Equipments Corporation of India Limited, New Delhi (PEC) for export of equipment and winning turnkey projects abroad.

Engineering Projects (India) Limited: Incorporated in 1970, EPI has an unbroken record of achievements in the innovative project management. To keep abreast of the future, EPI is constantly broadening its horizons and entering newer field of endeavour. Its approach is multi-disciplinary comprising market research, feasibility studies, design and detailed engineering, supply of plant equipment, civil and structural works, inspection and testing and erection and commissioning. The project range handled by the EPI includes housing complexes, steel bridges, storage silos, crude oil and gas pipelines, power transmission line projects, water supply and sewage disposal plants, civil and structural engineering, bulk material handling systems for foodgrains, fertilisers, ore and chemicals, handling systems for thermal power stations, chemical plants such as caustic soda, sulphuric acid, crude oil conditioning, coal gassification, ore beneficiation, ferrous and non-ferrous metal plants and setting up of cement, paper and paper pulp units.

The EPI's rapid growth in business since its inception has been marked by a consistent increase in the proportion of exports. In 1975 total projects in hand added up to Rs 813 million, of which export orders amounted to Rs 88 million i.e. 11 per cent. In 1977, however, this percentage increased to 53 with total projects on hand and export orders being of the value of Rs 5,406 million and Rs 2,849 million respectively.

As an international contracting company, EPI has a broader role as an agent for industrial development. The company, therefore, participated in projects earning valuable foreign exchange, principally through promotion of the exports of indigenous plant, equipment, material and manpower. All this was possible because of the massive campaign to improve goodwill between India and other countries of the world, participation in advertising campaigns, including international fairs and exhibitions, and sponsoring of trade delegations and market study teams. With a view to keeping abreast of the latest in relevant innovative technology, the company has also entered into collaboration agreements with leading international companies for carrying out projects in third countries. All these efforts have yielded rich dividend and as a result it is to-day in the first ranks of India's exports.

Projects and Equipment Corporation of India Limited: A subsidiary of the STC, the PEC increased its exports fourfold from Rs 96.5 million in 1973-74 to Rs 402.9 million in 1976-77 a growth of 40 per cent over the previous year. What is more important, the PEC is handling nearly 1/12th of engineering goods exports for the entire country. The performance is both quantitative and qualitative, the latter being reflected in the increasing sophistication of products exported.

The company's exports against free foreign exchange are another important achievement. Its exports to general currency areas as percentage of total exports rose from 52 in 1975-76 to 70 in 1976-77. These are expected to go up further to 79 per cent in 1977-78.

Through a planned and conscious drive, the PEC has achieved significant breakthrough in exports to newer world markets. It has exported radial drilling and milling machines to the USSR and drills, lathes, dolleys, puller assemblies, etc. to developed markets, including the USA. Overseas' customers confidence in the PEC is evident from the number of repeat orders received from the USA, the USSR, Iraq, Kuwait, etc.

Some of the items where PEC fulfilled its role as a trail blazer are export of diesel and steam locomotives, railway wagons, luxury coaches as also rail fittings, garage equipment, spray painting and drying booths. Its aggressive salesmanship has enabled it to regain lost ground for bicycle parts in France, complete bicycles in Uganda and for electric generators and alternators in Tanzania.

Industrial Relations

Dhrangadhra Chemical Works, Sahupuram, was established in 1958. Located in an economically backward area it had to reckon with prolonged disturbed industrial relations.

The beginning of the year 1970 saw a turning point. A new and cooperative approach to the solution of industrial relations problems was evolved. This paved the way for bipartite problem solving. Since then, the company, which provides employment to 1,200 persons directly, and another 1,500 persons indirectly, has been consistently sorting out all disputes across the table.

The new policy has yielded handsome dividends. Relations between the management and the unions are cordial. This is amply demonstrated by the fact that while prior to 1969 strikes claimed 18,156 mandays thereafter there has been no work stoppage. Not a single go-slow and lockout has taken place. What is significant, even on two occasions of state level bandhs in 1972 and 1973, the company was one of the few in the state which had normal attendance and production process.

All this has been possible because of the close liaison with workers and their leaders, intimate sharing of problems, a dedicated approach to maintain cordial relations and the introduction of a series of welfare measures.

The company has also introduced an award for long service and every year it gives token rewards to 40-45 persons for maximum attendance. Presentation of mementoes to all employees and a scheme to provide employment to their dependants on death or retirement are some other measures.

A keen sense of safety has also been inculcated among workers. This has helped in reducing the accidents to the minimum. In 1973, the plant operated without any accident. The company has received safety awards for the lowest frequency and long accident-free periods in man hours.

Science and Technology

The Central Food Technological Research Institute, Mysore, has done outstanding work in the harnessing and development of new sources of protein for human consumption to meet nutritional requirements. It has also evolved

echniques for processing of lantation products to boost ndia's export trade and conervation of fruits, vegetables nd animal based foods by mproved methods of storage nd processing.

In the field of foodgrains processing technologies, the institute has developed methods of drying freshly harvested paddy, parboiling and curing of rice; design and development of bran stabilisation units; mini-rice mill units; maize milling equipment and instant mixes. Its work on the production of instant mixes for Indian foods such as dosa, idli, sambhar and a soft-drink concentrate which is now being commercially exploited is well-known. A breakthrough in utilising buffalo milk for infant food has also been made.

Methods for processing of spices, coffee, tamarind juice concentrate, etc. have been evolved. Technology has been developed for the production of edible-grade flours from groundnut, sesame and mustard including Bal-Ahar and pre-cooked weaning food and products based on plant proteins and edible oils to replace animal milk. Other achievements include: a commercially feasible process for obtaining protein of 90 per cent purity, technology for storage of food materials which includes fumigants for insect-free storage of foodgrains in rural and urban sectors pesticidal emulsions for treating jute bag surface to prevent infestation and process for production of lindane from crude BHC.

The institute has developed processes for food enzymes like diastase, amyloglucosidase, pactinase and acid protease and baker's yeast from cane molasses for use in food and pharmaceutical industries. Post-harvest technologies for tropical and temperate fruits have also been developed. It has designed and fabricated citrus juice extractor; developed strained babyfoods, canned products, fruited cereals and packaging materials from traditional agricultural wastes.

The institute's processes for defence use are in the field of technology for supplying canned drinking water and know-how for the production of egg-powder.

Cash Awards of Rs 10000 for Research in Science and Technology

Award for Life Sciences Including Agriculture is being shared between Dr C. Gopalan, New Delhi and Prof G P. Talwar, New Delhi.

Dr C. Gopalan, director-general of Indian Council of Medical Research, New Delhi, has made outstanding contributions to the problems of malnutrition and deficiency diseases. He has applied himself for over two decades to investigations of major nutritional deficiency diseases widespread in India and south-east Asia. His studies on famine oedema, protein-calorie malnutrition, nutritional neuropathies, phyrnoderma and nutritional problems of pregnancy and lactation have attracted wide attention in scientific circles,

Dr Gopalan has successfully demonstrated that effective programmes of nutritional rehabilitation for protein calorie malnutrition could be implemented using inexpensive local resources. He and his colleagues have evolved several low cost recipes. Also he has been able to prove that blindness resulting from vitamin A deficiency which accounted for a considerable part of preventable blindness in India and several other Asian countries, can be effectively tackled through distribution of two oral doses of vitamin A. This programme is now being taken up by the government of India and has been included in the plans. In Indonesia too, large scale operations have been started.

Dr Gopalan has also initiated research on the possibilities of fortification of common salt with iron as a move for combating iron deficiency anaemia. He has also worked out a simple process for removing toxic principle from the Kesari dal to make it safe for human consumption. His work in the field of pellagra has provided practical approach towards its prevention and control.

Prof G.P. Talwar, professor & head of the department of Biochemistry, All India Institute of Medical Sciences, New Delhi, has made significant contibutions in the field of bio-medical sciences by developing a vaccine which when injected into the females results in the production of antibodies and prevent contraception over a certain period of time. The vaccine has proved its efficacy in the laboratory tests in animals and is now undergoing human trials in India and abroad.

Prof. Talwar's earlier work shed new light on the mechanism of action of a female sex hormone as also a pituitary growth promoting and developmental hormone. His contributions on regulation of immune response with particular reference to the role of hormones and the nature of immunological deficit in chronic intracellular diseases such as leprosy is of importance. The contribution to immunology and endocrinology in his case may help provide a breakthrough in contraception technology.

The vaccine developed by Prof. Talwar is simple. It can be administered by paramedical health workers to be taken only once every year or two. The vaccine helps identifying the formation of antibodies in the recipients, which can recognise and neutralise the pregnancy hormone HCG. (Human Chorionic Gonadotropin).

Dr Talwar was amongst the first to demostrate the presence of a cytoplasmic protein in the mammalian uterus which presented the ability to bind the female sex hormone with high affinity and specificity. The molecular basis of selective action of this hormone on some tissues was thus shown to reside in the ability of these organs to make "receptor" protein, which permitted the recognition of the hormone and enabled its concentration within the tissue. The properties and characteristics of the "receptor" for estradiol were delineated. In course of time, similar receptors for other hormones were discovered in their respective target organs. These findings have opened up new vistas in endocrinology.

Another original contribution of Prof. Talwar was the idea advanced about 15 years back proposing that growth promoting and developmental hormones acted by stimulating the synthesis of RNA in their target organs. By simple, elegant experiments it was demonstrated that local application of inhibitors of RNA

synthesis prevented the development of the biological actions of the hormones, emphasising thus the critical role of this metabolic step in the hormone action.

Physical Sciences Including Mathematics

Prof. C.N.R. Rao, professor, Solid State and Structural Unit, Indian Institute of Science, Bangalore has made outstanding contributions in the fields of Solid State Chemistry, Spectroscopy and Molecular Structure. In each of in these areas, he has made original and signifieant contributions and has published over 200 research papers and reviews. His research papers have been extensively quoted in the scientific literature.

In the field of Solid State Chemistry, Prof. Rao has edited two books and written four monographs. His recent monograph "Phase Transitions in Solids", attempts to present a unified treatment of this important topic and covers theoretical researches and structural aspects as well as material properties. Other fields of his enquiries are: electron transport and magnetic properties of oxide systems and defects in ionic solids; direct lattice imaging of solids to study local structure, order, dislocations and domains. His studies on the electron transport and magnetic properties of various oxide system have helped establish that crystal field and band limits of d-electrons are distinct thermodynamic states. The nature of the spinstate transitions in cobaltates and other systems is now being investigated both experimentally and theoretically.

Studies on semiconductor-metal transitions in oxides have been carried out employing various methods including charge density waves in metal oxides. Structural and mechanistic aspects of several phase transitions in inorganic solids have been investigated. Thermal hysterisis in phase transitions and the applicability of the Born model for phase transitions of simple ionic solids relation between positron lifetimes and V in phase transitions have been established.

In defect solids, his researches provided valuable insight into the mechanism of ion movement, impurity aggregation, distribution of defect pairs and so on.

In spectroscopy, extensive investigations have been carried out on the electronic and infra-red spectra of complex molecules, including analysis of electronic and vibrational spectra, quantitative treatments of substituent effects and solvent effects and vibrational analyses on several molecules in both ground and excited states. His contribution in electronic spectroscopy and hydrogen bonding are significant.

He has also done impressive work in the emerging area of photoelectron spectroscopy, particularly on benzene derivatives and nitroso compounds.

Industrial Application

Dr R.V. Tamhankar, chairman & managing director, Mishra Dhatu Nigam Limited, Hyderabad, has made pioneering contribution to the progress of research and development in metallurgy and material technology for strategic and sophisticated industries. Responsible for inventing a non-destructive testing method and developing and patenting special machines for testing magnetic properties of silicon steel sheets. His major researches were undertaken when he joined the Defence Metallurgical Research Laboratory.

Under the dynamic leadership of Dr. Tamhankar, the DMRL has, in a span of 10 years, acquired eminence. A wide range of products related to improvements/modifications of the existing defence material was undertaken. New metallurgical techniques and alloys were developed. Results of some of the R & D projects were translated into commercial production. Important projects executed are: development of Ichapur Rifle; 75/24 Mountain Gun; Special Powder Metallurgy Components; Periscope for Battletank; Ball Coppers; Special Metals and Superalloys including Nickel-base Super-alloys; Magnetic Alloys; Special Permanent Magnets; Controlled Expansion Alloys; High Purity Nickel, etc.

Engaged in giving a practical shape to his researches, Dr. Tamhankar has given a much needed impetus to the interaction between technology and industry. Considering the strategic nature of the requirements of special metals and super alloys, he submited a proposal for setting up of a plant for commercial manufacture of these alloys. The proposal was reviewed by a number of high-power committees which fully endorsed the proposal and urged the government to set up such a plant expeditiously. This led to the setting up of Mishra Dhatu Nigam Limited in 1975 and Dr Tamhankar was appointed its first full time chairman and managing director. The plant is expected to manufacture a wide range of nickel base and other alloys required for aircraft, nuclear power etc.

FICCI office-bearers—1978-79

Mr Pravinchandra V. Gandhi, was unanimously elected as the president of the Federation of Indian Chambers of Commerce and Industry for the year 1978-79. **Mr Harishankar Singhania,** was unanimously elected the vice-president for the year 1978-79.

The general body elected the following members to the committee of the federation:

Industry : Mr I. M. Thapar, Mr Prem Chand Jain, Mr J. H. Doshi, Mr Priyakant T. Munshaw, Mr M.M. Tayal, Mr Milan Sen, Mr Bahubali Gulabchand.

Trade : Mr Maheshwar Dayal, Mr B. P. Agarwalla, Mr R. L. Maheshwari, Mr H. T. Parekh, Mr Gautambhai Vimalbhai Shah.

The following were nominated in the committee of the federation : Mr B. P. Poddar, Mr K. L. Dhandhania, Mr O. P. Kaitan, Lala Bansidhar, Mr M. M. Lal, Mr Kulwant Rai, Mr B. D. Kapur, Mr V. L. Dutt, Mr Balakrishna Dalmia, Mr M. C. Jain, Mr U. M. Patel, Mr N. H. Dhanjibhoy, Dr R. M. Thakkar.

The standing advisory committee consisting of the following was also constituted by the committee: Mr Pravinchandra V. Gandhi, Mr Harishankar Singhania, Mr B. P. Poddar, Mr Arvind Narottam Lalbhai, Mr Prem Chand Jain, Mr Viren J. Shah, Mr G. K. Bhagat, Mr J. H. Doshi, Mr A. K. Jain, Mr K. N. Modi, Mr Ganeshnarayan R. Poddar, Mr B. P. Agarwalla, Mr R. P. Goenka, Mr D. N. Patodia, Mr Arvind N. Kilachand, Mr Sudhir Jalan, Mr S. K. Birla, Mr M. K. Mohta, Mr H. T. Parekh.

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Socio-economic policy of Janata party

The national executive of the Janata Party has released its latest socio-economic policy statement which, in the words of the party general secretary, Mr Madhu Limaye, is "radical and thoroughgoing." Its suggestions include curbing of concentration of economic power, decentralising the ownership of the means of production and prevention of industrial unrest. In cases where the public financial institutions have provided large percentages of the overall capital for industrial firms, it has recommended their being brought under public control. Text of the policy statement is given below:

THE NATIONAL Executive has expressed its disastisfication with the slow and tardy implementation of the party's socio-economic programmes. The executive felt that unless these programmes are speedily implemented the party's image will not improve. While united functioning and good public relations have their importance, performance is the crux of the problem.

The National Executive emphasised the fact that the Janata governments and the Janata ministers are accountable both collectively and individually to the people and the party. At the same time it held that it was the duty of the party to oversee the performance of the party governments. The National Executive, therefore, directed that the party secretariat should initiate discussions with the Janata chief ministers and Janata central government ministers with a view to speedy implementation of the agreed programmes. Such members of the National Executive as are available in Delhi at the time will be associated with these discussions.

The sixth Plan opens a new perspective of rural development, of a new deal for all those who are below the poverty line and whose minimum needs even today are not being satisfied. The Plan envisaged as increasing role for popular initiatives as also increasing involvement of non-governmental bodies and voluntary agencies in developmental programmes. The National Executive, therefore, laid great stress on the need for involving party workers at all levels in developmental activities. The executive drew attention to the need for revitalising the existing voluntary agencies and youth and student bodies so as to secure their effecttve participation in these programmes. To achieve this increased involvement of party workers, the party should draw up a training programme for party workers. The focal point of these training programmes will be rural development.

The National Executive was of the view that there should be informal consultations between MPs and MLAs in each district with the district officers in charge of developmental work. The rural development committee of the Janata Party will issue a booklet on the various developmental activities that are being undertaken by the central and state governments and the allocations and outlays made by these governments under different heads for this purpose.

The National Executive wanted these governments to take measures to carry out the promises and programmes contained in the party's election manifesto and economic policy statement. It further desired implementation of the programmes outlined in the political resolution adopted at the meeting of the committee in August last year. It also wanted the state governments to take action on their supplementary election manifestoes issued at the time of the assembly elections. It particularly stressed the importance of preparing time-bound and phased programmes for the implementation of the following items:

Land Reforms

1. According to the draft Sixth Plan, as on July 31, 1977, estimated surplus area was 5.32 million acres, the area "declared surplus" was 4.04 million acres, the area "taken over" by governments was 2.10 million acres and the area actually distributed was only 1.20 million acres. This means that there is considerable scope for distributing the surplus land among the landless people. Immediate steps should, therefore, be taken by the Janata-run governments to distribute the surplus land in the next two years.

2. There are loopholes in the existing land reforms legislation. These loopholes should be plugged and more land made available for distribution. Legislative action in this regard should be initiated without delay.

3. Efforts must be made by the state government to reclaim alkaline lands, improve drainage and bring new cultivatable waste land under the plough. The idea of Land Army should be concretised by the state governments in consultation with voluntary bodies both for this purpose as also for bunding, levelling of soil, soil conservation and planting of trees.

4. The Economic Policy Statement laid great emphasis on preparing of record of rights within a period of two years. Utmost attention needs to be given to this question, especially in states like Bihar where this problem is very acute. Without record of rights no implementation of land reforms legislation is possible. Some chief ministers have spoken of the need for amending the Constitution for his purpose. In case there are constitutional difficulties in the matter of implementing the land reforms, specific proposals for removing these difficulties should be drawn up by the concerned state governments and sent to the party for consideration.

5. The central minister of Agriculture should be requested to set up a representative committee of officials and non-official experts to oversee implementation of the land reforms legislation and the guidelines laid down by National Development Council. There should be a small committee at the party level also to monitor speedy implementation of land reforms and rural development programmes in the Janata-run states.

Utilising Public Lands

6. Large tracts of land in the possession of public authorities like the railways which are not immediately needed by them should be made available to the landless people for cultivation on a short term basis.

7. The central government should formulate a statement on agricultural policy and have it laid before Parliament in its next session.

8. The recent fall in the prices of sugarcane and cotton have caused distress among the agriculturists. The Janata Party

wants proper balance to be maintained between the prices paid by the farmers and the prices received. Government must take short term and long term measures to protect the farmers.

9. Indebtedness among the rural people is on the increase. Public credit to the rural population is still very insufficient. It is necessary to rapidly increase the quantum of public credit. Both the methods of imposing a moratorium on debt payments and outright abolition of debts should be adopted to give relief to the poorer sections of the rural population.

Problem of Housing

10. Public authorities should give top priority to construction of houses for the socially and economically backward people, including Harijans and Adivasis. Wherever possible new villages should be created for the poor people in rural areas. However, care should be taken to see to it that this does not result in a new kind of segregation of Harijans. Specific targets should be fixed in regard to housing for the rural poor.

11. State governments should allot housesites. Mere allotment of land to the poor would not help. It is necessary to provide them loans at subsidised rate of interest.

12. In urban areas low income housing should be encouraged in a big way. LIC and other institutions who have been complaining recently of excess resources should be directed to establish low income housing colonies. Legal obligations should be laid on corporate sector enterprises, whether private, public or co-operative for constructing houses for their employees. Cooperative housing should also be encouraged in urban areas, and land should be made available to these cooperatives for this purpose.

13. Allocation should be made for slum clearance and improvement schemes. Governments and municipalities must provide civic amenities like water, electricity, roads, street lighting etc for the hutment dwellers.

14. This party manifesto highlighted the question of supply of pure drinking water for the rural areas. It is unfortunate that the central government allocations have not been fully utilised by the states. This should not be allowed to repeated. The state governments should fix specific targets and draw up concrete time-bound programmes for the financial years 1978-79 and 1979-80 in this regard. Any differences between the centre and states over matching allocations should be sorted out.

Minor Irrigation

15. The economic policy statement emphasised the need to exploit fully the vast potential of minor irrigation. Voluntary agencies should be drafted for this work. "Food-for-Work" programme should also be dovetailed into this activity as well as other rural development programmes. The government should examine the suggestion of setting up a consortium of nationalised banks for providing the necessary financial and technical assistance for building community tubewells as also energised pump sets for small and marginal farmers. A programme of constructing long diameter wells should be undertaken, where there is electricity shortage, both for the purpose of supply of pure drinking water and as also for irrigation. Cooperatives for the purpose of implementing lift irrigation schemes should be organised to enable fuller utilisation of water resources.

16. The state governments must prepare time-bound programmes for the construction of village roads and approach roads. The resources available with the Mandi Committees may also be utilised for this purpose. Students and youths should be motivated to contribute voluntary labour.

Railway Network

17. Construction of new railway lines should be boldly utilised as a means of opening up of backward areas and providing employment opportunities. It is estimated that for constructing 1 km of new railway line, work can be provided for nearly 1,000 people. The railway ministry should be permitted to utilise railway surpluses in the next five years for the purpose of constructing new lines. The central government should consider this proposal without dely.

18. The Janata-led governments should identify a reasonable number of poorest families in each village with a view to providing them with credit facilities on priority basis. Nationalised banks should be drafted for the purpose. These poorest families should be given loans by the banks and the government to enable them to purchase cows, buffaloes, pigs poultry etc. This will provide subsidiary income to marginal farmers as well as landless people, including Harijans. A concrete programme in this regard for each district should he formulated. Some work has already been done by some states in this area but much more needs to be done in the days to come.

19. State governments should draw up a programme for the setting up of bio-gas plants i their respective states. Poss bility of having bio-gas plan for the entire villages shoul be explored. This should b linked with construction latrines etc for the community Young people should b drafted to enlighten villag people on the scientific aspe of this problem. Steps shoul be taken to improve th design of the bio-gas plant and also to bring down thei costs. Loans should be mad available for this purpose. Thi will bring about fuel econom and make more manure avail able for farming purposes.

Public Distribution System

20. There has been a increase in prices of som commodities in recent days although the prices of suga and edible oil have fallen con siderably. The recent five pe cent increase in excise duty ha been exploited by the trading community to push up prices In order to prevent the adverse impact of this price increase on the consumers, it is neces sary to initiate action under the Essential Commodities Ac and to strengthen the system of public distribution of essen tial commodities. Its coverage should be increased both in terms of the number of people especially in rural areas as well as the commodities cover ed by the system. A time bound programme should be drawn up in this regard by the Commerce ministry.

21. A large number of consumer goods which were traditionally produced in small and cottage industry sectors are increasingly being monopolised by the organised sectors, including the foreign companies. This has adversely affected employment of traditional artisans and has also resulted in the exploitation of con-

sumers. Immediate steps will have to be taken to remedy the situation. The question of reserving certain lines or of production for small and cottage industries should be taken by the minister of Industry. The proposed sixth Plan allocation of Rs 1410 crore should be effectively utilised.

22. The scheme of district industrial centres needs to be studied properly. The scheme should not become an occasion for further bureaucratisation. Some attention should be paid to backward areas. Concrete action should be taken on the basis of the techno-economic surveys available with the ministry of Industry.

23. The district industrial centres should provide 'extension service' for industrial development. They should also help secure credit from nationalised and other banks, organise supply of raw materials, provide technical assistance and offer help in the matter of designs and marketing facilities to the small and cottage industries, and especially, self-employed people and traditional artisans. They should also provide training and assistance in the acquisition of new skills.

Curbs on Monopoly

24. Steps should be taken to bring about reduction in the concentration of economic power in a few hands. Restrictions should be imposed on the concentration of chairmanships, managing directorships and directorships of the large number of corporate sector companies in the hands of a few individuals. Legislative and administrative action in this regard should be undertaken without delay.

25. Because of the concentration of economic power in the hands of a few big houses, temptation to abuse that power is an ever present danger. Government should take immediate steps to bring about decentralisation in the ownership of the means of production. Such decentralisation of big business houses will enable the governments to make fuller utilisation of the private corporate sectors, resources, experience and technical know-how for rapid industrial development.

Cloth for Masses

26. The National Textile Corporation should be revitalised and the mills taken over by the government should be made to produce cloth for the masses. The private sector mills which do not produce cloth for the poorer sections should be asked to pay a cess on their production and the money collected should be utilised for renovation by the National Textile Corporation.

27. Action should be undertaken with a view to discouraging setting up of capital intensive, labour displacing units in non-essential sectors.

28. The practice of diluting export obligations imposed on the private corporate sector under one pretext or the other should be discontinued.

29. Large industrial firms controlled by big business families should be compelled to professionalise their managements. "Industrial feudalism" should be abolished. Wherever public financial institutions have provided large percentage of the overall capital, they should brought directly under public control. The public financial institutions should give up their role of being sleeping partners in large private sector firms and play an active part in curbing malpractices and exploitation.

30. The central government has decided to vigorously tackle the problem of adult literacy. Vasts sums are being allocated by government for this purpose. State governments in cooperation with voluntary agencies should organise massive programmes for the eradication of illiteracy, especially in the rural areas. A Literacy Army scheme should be drafted for this purpose.

31. The Panchayat institutions should be revitalised. The state governments should hold immediate elections to these local bodies. The party is of the view that in order to buttress Zila Parishads, their elections should be made direct and held on the basis of adult franchise. Unless members of the district Panchayats are given proper status, effective workers will not take interest in their work. As soon as Asoka Mehta Committee's recommendations are made available, action should be undertaken by the state governments to implement the recommendations. These bodies should be given important role by the state governments in planning and development.

Employment Guarantee

32. The Janata party has made a firm commitment that it would solve the problem of unemployment within ten years. If speedy action is not taken it would be difficult to keep the promise.

Food-for-work programmes have not been vigorously pursued by the state governments. If the official rules are coming in the way of implementation, the central government should be asked to review them.

The state government should formulate Land Army and Literary Army Schemes districtwise on a decentralised basis to implement the various programmes outlined above.

The schemes of district industrial centres antyodaya initiatives in Rajasthan aud Uttar Pradesh, Adivasi welfare programme in Madhya Pradesh and creation of subsidiary occupations will all give a boost to employment.

The Bihar government is going to start an employment scheme in 31 blocks in districts. This should be tried elsewhere also.

If alternative employment is not provided to the rural poor, their wages will remain permanently depressed.

National Consensus

The National Executive, while recognising that it is primarily the responsibility of the Janata Party and its governments to fulfil the promises they have made to the people, strongly felt that for the solution of the pressing problems that confront this vast country, a common endeavour by all sections of our population is called for. The National Executive, therefore, wants efforts to be made evolve a national consensus on such issues as eradication of untouchability, protection for the minorities and weaker sections of the community like scheduled castes and scheduled tribes, campus unrest, iradication of violence in industrial relations and other departments of public life, adult literacy and so on.

The prime minister was authorised by the party to initiate moves in this regard. Representatives of all sections of the people, including political parties, social workers and professionals, will be invited by him to discuss specific issues. Even on constitutional amendments the Janata government has instituted a system of genuine consultations with the opposition.

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Power for development

THE PUNJAB, Haryana and Delhi Chamber of Commerce and Industry (PHDCCI) has convened a conference in the capital next week (May 8 and 9) to focus attention on the key role which power has come to occupy in the development of both agriculture and industry in this country. While the pressing problems facing the north Indian states in particular are likely to engage the attention of a majority of the participants, it will be desirable to look at the current power shortage in the country from an all-India perspective. The timing of the conference is propitious because the Planning Commission has already circulated the draft of the Plan for the period 1978-79—1982-83 to elicit public opinion on all major aspects including the provision made for growth in power supply and the estimates committee of the sixth Lok Sabha, in its 16th report released recently, has critically examined the failings of different wings of the government which have landed the country in a none-too-happy situation in regard to the availability of electricity in many parts of the country.

An evaluation of the past power plans indicates shortfalls of a high order ranging from 20 to 38 per cent in different periods. Has the government of India learned any lesson from these failings ? The estimates committee takes a dismal view of the capacity of the existing government machinery to draw any lesson from its failures. States the committee: "Hardly any perceptible improvement has been effected in the institutional arrangement for survey, investigation, preparation of project reports, communication of sanction, execution etc with the result that projects drag on for years rendering the entire planning for power unrealistic". The committee is therefore justified in demanding of the government "to improve the institutional arrangements to see that large power projects which have a vital role and contribution to make towards power development are selected and implemented in the field in accordance with the Plan programme and no slippage on any account is allowed to take place".

Besides expanding capacity to meet the rising demand for power, it is essential to take appropriate measures for the proper maintenance of the generating capacity which has already been set up. The loss of capacity due to planned maintenance, forced outage and partial unavailability in 1976-77 was 38.58 per cent of the total installed capacity. Surely, it should be possible to reduce losses due to the causes listed above. Last year in July, the central Energy minister, had stated in Lok Sabha that he had directed plant by plant review to be undertaken by the technical experts so as to pinpoint the peculiar deficiencies of individual plants. It will be worthwhile knowing how far this review had resulted in toning up the working of the power plants.

The losses due to transmission or distribution of electricity in this country are of no mean order. They vary from 18 to 25 per cent as against six to 12 per cent in other countries. It is true that a major share of the losses is due to "low power factor of agricultural pumping loads and long lengths of sub-transmission and distribution lines" in rural areas of this country but the level of losses is decidedly on the high side and if appropriate steps are taken, it can be cut down by at least half. The measures adopted so far have not brought forth the desired results. For instance, the Rural Electrification Corporation has provided loans to states totalling more than ten crores of rupees for system improvement schemes but the impact of such expenditures has not been felt at all. Perhaps it would be desirable to undertake a study to find out the extent to which losses could be reduced after taking appropriate steps. Till that is done, there will be an interminable debate in this country; the critics will claim that the losses are excessive while the state electricity boards will continue to assert that they cannot be reduced further due to the distribution pattern of power in the states.

Again, for nearly two decades, this country has deliberated upon the need for the establishment of regional grids as well as a national grid. A regional grid will

facilitate optimum utilisation of power available in an area. Similarly, the national grid will enable efficient use of electricity by making it possible to transfer power from surplus to deficient states. Why has progress on this front been niggardly? There is a feeling in some circles that it is the surplus states which are not very keen about the establishment of the national grid. These states are afraid that the transfer of surplus power to deficit states would hurt their schemes of development.

the national grid

This is therefore a question which the centre has to take up with the states in a judicious manner so as to persuade them to come forward in the establishment of the national grid in the larger interest of the country. But surely there is no valid reason for the slow progress in the establishment of regional grids. So far, only the first phase of the southern region has been completed; the second phase is expected to be over in a couple of years. No tangible progress has so far been made in the case of other regions. The estimates committee of Lok Sabha has given expression to its disappointment in this regard in the following words: "The committee are distressed to note that in an important matter such as the establishment of regional grids, government should have allowed such a long time to elapse and even then the preliminaries for setting up such grids have not been cleared so far".

It is indeed ironic that the power shortage in our country has persisted despite the claims made by the indigenous suppliers of power plant and equipment that they have developed capacity to supply the full needs of plant and machinery. The committee of ministers on indigenous plant and equipment had in fact recommended the import of 200 MW and 500 MW unit sizes from abroad during the fifth five-year Plan period but, strangely, the Congress government scaled down the demand forecasts for power for the last Plan period, thus making the plan for imports infructuous. The case was made out that there would be no necessity of importing any generating plant or equipment during the fifth Plan period. Even if it is true that the domestic suppliers of power plant and equipment such as Bharat Heavy Electricals Ltd have acquired capabilities to meet the rising demands of our country, there is need to bind the suppliers to a time-bound programme. Timely supply of power plants can avoid breakdowns in power supply in many parts of the country.

Some states have repeatedly complained to the centre that they have not received adequate assistance for the development of hydro-electric potential which exists within their boundaries. The data in this regard points to wide disparity in the development of hydro-electric potential. For instance, the southern region had developed as much as 39 per cent of its hydro-electric potential at the end of 1976-77 as against 16.43 per cent in the northern region, 15.78 per cent in the western region and 15.69 per cent in the eastern region. While it may not be possible to remove this regional disparity altogether, an effort should certainly be made to bridge the gulf between different regions.

According to Mr B.N. Baliga, who was until recently chairman of the UP State Electricity Board, there is absence of professionalism at all levels in the management of power boards. In an article published elsewhere in this issue, he has analysed the current ills of the state electricity boards (SEBs). He has blamed the political bosses for the poor performance of the SEBs who, in his view, take delight in frequent reconstitution of boards. Consequently, the management of the plants and equipment is neglected besides introducing elements of inefficiency at all levels. Mr Baliga feels that the upkeep of the power stations under the boards has suffered and today they are in very bad shape. It is for the state governments to minimise interference in the management of the SEBs if they want them to be run in a business-like manner.

The recent increase in power tariff announced by the Haryana State Electricity Board has ostensibly been made to make the board viable. This is bound to hurt the industrial units in this state. According to an estimate made by the PHDCCI, the new tariff which came into force on May 1, 1978, will increase the energy bills of industrial units by 30 to 60 per cent. At the same time, the tariff in respect of agricultural consumption has been reduced in order to assist the farmers. This is no doubt in keeping with the economic policy of the Janata government, but there is certainly a case for not crippling industrial units through excessive power charges. With the turmoil into which the Haryana state politics has been thrown in the past few weeks, the complaint of the industrial units in this regard is likely to be reduced to a cry in the wilderness.

Management of power plants

IN SPITE of the fact that the Janata government has accorded a high priority to the augmenting of power supplies, shortages in varying degrees continue in various parts of the country. It was not expected that merely putting increased emphasis on the development of power would eliminate the shortages in the course of a year or two but it was a legitimate anticipation that at least the targets set would be accomplished by and large.

The data available for the past year, however, suggest that there have been slippages all round, particularly on the thermal power front. At the beginning of the last year, we had an installed generation capacity of about 24,000 MWs. It was expected to be raised by 2596.5 MWs through the completion of as many as 14 hydel projects to an aggregate capacity of 1,046.5 MWs and 11 thermal units to a total capacity of 1,550 MWs. The actual addition to the capacity during the year is estimated to have been of the order of only 1,956.5 MWs—1,140 MWs thermal and 816.5 MWs hydel. Three hydel projects and five thermal stations could not be completed according to anticipations. The story of addition to capacity, however, does not end here. Capacity to the extent of as much as 771.5 MWs is understood to have accrued only during the month of March. Even out of this, as many as four thermal projects having capacity of 550 MWs and four hydel units to a capacity of 285 MWs materialised between March

27 and 31. This shows that the addition to capacity has been significantly behind schedule and uneven.

The progress in regard to actual generation has not been much different. In the utilities sector, which accounts for an overwhelming proportion of power generation, the gross generation during the year is estimated to have gone up by just 3.3 per cent over the previous year (as compared to a much higher rate of growth in that year) and that too largely owing to a fairly impressive increase in hydel generation. The gross generation during the year amounted to 92,179 GWH, as against 89,200 GWH in the previous year. The hydel generation improved by 9.2 per cent to 37,963 GWH from 34,766 GWH. There was, however, an overall setback to thermal generation, although generation of non-nuclear thermal power improved by 1.5 per cent to 51,943 GWH from 51,181 GWH. The gross nuclear generation declined during the year by 30.1 per cent to 2,273 GWH from 3,253 GWH. The setback to thermal generation resulted from the plant load factor of these stations declining from 56 per cent (4,910 KWH/KW) in 1976-77 to 50.8 per cent (4,450 KWH/KW) in 1977-78. This decline has been attributed to the long duration outages of some major units such as Chandrapura units 4 and 5, Badarpur units 2 and 3, Obra (T)-2, Harduaganj C-1 and C-2, Ranapratap Sagar nuclear station and longer period taken to stabilise generation at new units.

reduced efficiency

Thus the efficiency of the electricity generation authorities has tended to go down during the post-emergency period. To some extent, it obviously could not have been avoided. But surely this is something which has to be taken serious note of. Region-wise, the generation of thermal power has been somewhat satisfactory only in the western region, where the gross actual generation improved to 21,310 GWH from 19,079 GWH. This region attained the yearly target set for it to the extent of 98 per cent. In all the other regions, thermal generation not only significantly fell short of the targets set but was also just equal or less than the generation in 1976-77. The northern region produced during the year 11,642 GWH—80 per cent of the 14,570 GWH target—against 12,776 GWH in the previous year. The 9,624 GWH target set for the southern region was also achieved to the extent of only 80 per cent, the actual generation during the year being estimated at 7,689 GWH, as against 8,639 GWH in the previous year. The 14,614 GWH target for the eastern region was attained to the order of 89 per cent. The actual generation in this region amounted to 12,992 GWH, as against 13,258 GWH in the previous year. The north-eastern region produced 584 GWH, as against 582 GWH in 1976-77 and the 1977-78 target of producing 670 GWH. The target in the case of this region, therefore, was accomplished to the extent of 87 per cent. The all-India realisation of the target was around 89 per cent, the overall gross generation being 54,216 GWH, as against 54,434 GWH.

ambitious targets

It remains to be seen how far the overall efficiency of the personnel in the power sector will be geared up to the accomplishment of the ambitious targets set for the current financial year. These targets are ambitious not from the demand point of view. They are termed so in view of magnitude of the task involved. The installed capacity is envisaged to be raised this year by as much as 3,857 MWs—2,755 MWs in the thermal sector and 1,102 MWs in the hydel sector. This will mean nearly doubling of the last year's addition to capacity. The target set for generation this year is 105,635 GWH—64,676 GWH thermal and 40,959 GWH hydel. The increase in generation in the thermal sector is expected to be 19.3 per cent and in the hydel sector eight per cent. The overall increase in generation is to be 14.7 per cent.

If we falter again this year, despite the fact that the last year's backlog to addition to capacity is expected to be cleared by the end of this month, the adding of over 18,500 MWs to the capacity available on March 31 during the five years to 1982-83, indeed, will be a stupendous task. This five-year programme cannot be termed ambitious, as a look at the schemes to be implemented during this period will suggest that most of them are already under implementation. The new projects proposed to be taken up are just a few. In the northern region, for instance, capacity to the extent of 4,337 MWs is to result from the continuing projects and only to the tune of 428 MWs from the new schemes. In the western region, the continuing schemes will contribute additional capacity of the order of 4,445 MWs and new schemes a capacity of 1,410 MWs. In the southern region, the additional capacity will result from the continuing schemes of the order 3,630 MWs and from the new schemes to the extent of 630 MWs. The eastern region will gain from the continuing schemes by as much as 2,624 MWs and 220 MWs from the new projects. In the north eastern region, the continuing schemes will yield 520 MWs and the new units 61 MWs.

It is also to be noted that in its anxiety to remove all bottlenecks in the way of implementing power projects, the central government has taken care that all the requisite funds have already been allocated for the different schemes and it is envisaged that in case there is any difficulty of procuring equipment from indigenous sources, imports should be effected.

heartening feature

Another heartening fact is that the centre has been allotted a significant role for generation in the future. In the aggregate capacity installed by the end of 1982-83, the share of central generation will be as much as 10 per cent, as against about seven per cent at present. The entry of the centre has been there both in the thermal and the hydel sectors. Already four hydel projects have been taken over by the centre, which is putting up one super thermal station also at Singrauli and is shortly expected to go in for another similar project at Korba. Three more super thermal stations are also expected to be put up in the central sector. One of these will be at Ramagundam and the second at Farakka. The location of the third one is to be decided soon. Each of these five super thermal stations will have an ultimate installed capacity of 2,100 MWs.

The addition of 18,500 MWs capacity, to the nearly 26,000 MWs available at the beginning of this year, is expected to eliminate power shortages by the terminal

ear of the current plan, as the requirements in that year are estimated to be round 128.8 billion units. This will call for generation of the order of 167 billion units, as against a little below 100 billion units in 1977-78. The proposed addition to capacity has been based on this calculation. But it is to be noted that credit has been taken in this calculation for substantial improvements in the performance of power generation agencies in completing projects on schedule, better operation of thermal stations as well as system improvements and reduction in power losses through better maintenance and operation of transmission and distribution systems. To achieve these ends, several steps need to be taken. These include strengthening of the transmission lines by evolving a 400 KV network throughout the country, establishment of national load despatch centre, concerted moves towards the evolution of a national grid, streamlining of the operations of the state electricity boards and building up of specialised cadres for electricity generation. Intensive training is proposed to be imparted to the generation staff as well as those engaged in repair work in the distribution system, including hot-line repairs.

scope for improvement

There can be no denying the fact that the utilisation of our thermal power generation capacities can be improved significantly, as barring the setback to the plant load factor last year from 56 per cent to 50.8 per cent, there had been some improvement in the operations of these plants in the earlier years. The availability of power can also be increased markedly if transmission losses, which in some states amount to as much as 34 per cent of the generation, can be brought down significantly. To some extent, these losses should go down automatically—provided, of course, pilferages are contained with a heavy hand—with the growth in demand for power in the villages as a result of new strategy adopted for the development of rural areas. Currently, the transmission losses are unduly high in the supply of power to the villages, as the current has to be taken over long leads. The growth in demand in the rural areas should also help in reducing the wide fluctuations in demand at the various times of the day. This in itself should assist in improved utilisation of the installed capacities. But it cannot be over-emphasised that the malpractices in the distribution system have got to be dealt with squarely. The reduction in electricity tariffs can well be practised to induce industrial units to operate during off-peak hours. The industry itself should do well by avoiding wastages of electricity.

There is also need for establishing a better relationship between the grant of new connections and the availability of power in a particular area, for mere multiplication of connections will not serve any purpose unless they are backed by adequate generation capacity. In the present-day conditions of according the highest priority to the requirements of the agricultural sector, the worst sufferer will be industry, whether large-scale, small-scale or cottage. Proverbially, it was the agriculturist who used to pray for rains. Now it is the industrialist who prays to the rain god so that enough water is available for irrigation purposes and the agriculturists' requirements of electricity can be contained, which in periods of drought get accentuated, resulting in increased difficulties for the industry.

Whither tea prices?

AT THE annual general meeting of the Indian Tea Association held in Calcutta on April 8, Mr Mohan Dharia, the Commerce minister, expressed concern at the rising trend in the price of tea for the domestic consumer and warned the industry and trade that drastic steps would be taken if they did not cooperate with the government in holding the price line. He wondered why the price of tea should go up when the country had produced 560 million kgs of tea in 1977, an increase of 10 per cent over 1976, and when export had also been restricted with a view to ensuring more supplies to the home market. He attributed the rise in price to "unhealthy practices by some sections of the tea trade". The minister justified the decision to bring tea under the Essential Commodities Act so that the government would have adequate powers to deal with the situation. He assured that the "genuine producers" would have nothing to fear from this Act but stringent action would be taken against those who created shortage and pushed up the price.

Mr Dharia was not convinced by the arguments of Mr M. Ahmed who explained, in his presidential address to the annual meeting of the association, that the rise in the price of tea was not at all excessive as to cause concern and that, even so, the industry was making serious efforts to augment supplies in the retail markets and keep the price low. He pointed out that one kg of CTC tea, which was popular in the country, yielded 500 cups and therefore, even with a retail price of Rs 18 per kg, the cost of the tea content in a cup would work out to only 3.6 paise per cup. Nevertheless, he clarified that the producers' associations did their best to arrange orderly marketing of tea at the wholesale level and sell much larger quantities through public auctions. But the Commerce minister seems to be dissatisfied with the industry's performance and assurance and therefore he has issued new directives to regulate the stocks of tea. He has ordered that all tea dealers, including manufacturers, brokers, commission agents and warehouse keepers, should be registered with state governments and submit fortnightly returns of stocks. This step, taken under the Essential Commodities Act, is expected to maintain a steady flow of tea into the markets and secure equitable distribution.

But has the Commerce ministry carefully examined the implications of its new directive? Will it really help to achieve a reduction in the price of tea in the retail markets scattered all over the country? The ministry's anxiety to divert more tea into public auctions is understandable but it will take time to achieve this result. Meanwhile, hasty decisions to impose more control on the industry and trade is likely to disturb and dislocate the supply and demand position and defeat

the government's objective. Moreover, if the price of tea falls too low, it will, of course, have an adverse impact on the viability of the industry and this may ultimately lead to shortage.

Mr Dharia said in his address to the Indian Tea Association that the government was making energetic efforts to secure better prices for tea in the world market. He observed: "India which is the leader in the world of tea has to take the initiative in various matters so as to ensure that producing countries continue to get remunerative prices for their produce and that extraneous forces are not able to bring about any destabilisation and to bring back an era of unreasonably low prices with all the attendant evil consequences. It was with this thing in mind that I took up with my counterpart from the United Kingdom the question of pegging down the retail prices of tea in the biggest import market of the world. In a situation when auction prices are fluctuating within limits, nothing should be done as to create an impression that returns to the producer are being artificially unduly depressed".

cautious step needed

Having thus pleaded cogently for remunerative prices, the Commerce minister should be cautious in controlling the industry so that the price in the home market does not fall too low and affect its growth. At the same time, the industry should also try to see that the trade does not indulge in profiteering activities. The producers' associations are very well organised and resourceful—the Indian Tea Association has been functioning for nearly a century—and therefore it should be possible for them to exercise greater discipline on the trade. Merely to argue, as Mr Ahmed did, that tea price is "pure and simple a question of supply and demand" will not convince the government or the country especially at a time when every attempt should be made to halt the revival of inflation.

Mr Ahmed referred to a recent observation of Mr T.S. Broca, chairman of the Tea Board, that 1977 was "a tumultuous year" for the Indian tea industry and said that this was a very apt description. Mr Ahmed added: "It certainly was, and also a very eventful year. It was a year when we broke several of our previous records. There was a record crop of 560 million kg, an increase of 48 million kg over the previous year's production. There was a record foreign exchange earning of approximately Rs 520 crores as against Rs 273 crores earned in the previous year. As a single product tea was probably the largest foreign exchange earner for the country. The phenomenal increase in the foreign exchange earnings was possible because of higher unit value realisation, not because of export of a higher quantity of tea. The quantity exported was actually less than in the previous year".

After a record performance in many fields in the last year, both government and industry should work in close co-operation so that this beverage is ma available to consumers throughout t country at fair prices. According to so estimates, India will have to produce least 1000 million kg of tea per annum the year 2000 AD. But Mr Ahmed fe that this would not be sufficient to me the internal demand and augment t earnings of foreign exchange. He said th we should aim to produce at least 130 million kg per year by the turn of th century. The consumer is not very muc concerned whether the country need 1000 or 1300 million kg some 22 yea later. His immediate anxiety is to get hi cup of tea at the price he can afford an it is on this objective that both govern ment and industry should concentrate i the coming weeks.

'Enduring change' for industrial development

ADDRESSING THE general meeting of Hindustan Lever Ltd, at Bombay, recently, Mr T. Thomas, its chairman, gave an illuminating analysis of the role of change in the growth and progress of an industrial enterprise. It has been the practice over the years for the chairman of Hindustan Lever to speak on a theme of relevance to industry while addressing the annual general meeting of the company. The theme chosen this year was "A Changing Organisation", which dilated on the vital necessity of 'enduring change' for the health of an organisation. Of late there has been witnessed the widespread phenomenon of industrial units in various sectors going on the 'sick' list with far-reaching consequences on employment, labour relations and production. This incidence of sickness in industrial units may be attributed largely to the lack of industrial culture and the incapacity of managements to forestall obsolescence or change in consumer preferences. To prevent an organisation from reaching total stability which tends to stagnation and decline, it is necessary that there is planned, enduring change.

In modern business there are two major essentials for growth and expansion in industry—change and the leadership to see that change through. The exposition that Mr Thomas gave has added value because, in a way, he was summing up the success story of his own organisation and the contribution that the element of change had made in its growth process. In its expanding operations which extend to nearly a century, Hindustan Lever has changed in its character as well as the composition of its business. A major part of its investment in the last few years has gone to the core sector and into areas of sophisticated technology. It has changed even in ownership and organisation. Half of Hindustan Lever's management consists of scientists and engineers. Its activity has diversified which has led to the formation of business groups within the company. All this can be attributed largely to the response that the company gave to the call of "enduring change."

Mr Thomas spoke on several dimensions of change: change from one type of activity to another necessitated by external factors; change in the size of business resulting from continued success; or change in the composition of business due to relative success or failure of any of its constituents. It has been the bane of our

dustry that it has not been able to entify the stimuli to change. For an ganisation to survive and flourish it quires the ability to manage this change id to make the environment congenial it.

Mr Thomas believes that nowadays it is ossible to prepare and plan for change ther than be overtaken by it and be overhelmed in the process. Planning enables op management to identify the options, volve a strategy for pursuing the selected ption, set the target and to give a sense f direction to the organisation for achievng the target. It is important that the lement of insecurity which all change nvolves should be minimised.

important resource

For planning a change, the most important resource is management. Though it s to a large extent diluted in the bigger usiness establishments, non-professional amily management continues to flourish n our country in the medium and smallcale industries. Not being able to detect he symptoms of stagnation and decline nd being lulled by deceptive stability, hese managements have not been able to plan the requisite change with unfortunate consequences. For the success of any organisation, therefore, it is essential to develop its management cadre where selection is made on the basis of the capacity of a candidate to compete successfully, without any thought given to his family or social background.

Change can be brought about successfully when an organisation has prepared for it over a period. Here comes in investment in research and a continuous upgrading of technology. There should be a constant search for innovation and improvement. The development of new technology leads to the introduction of new activity in the organisation.

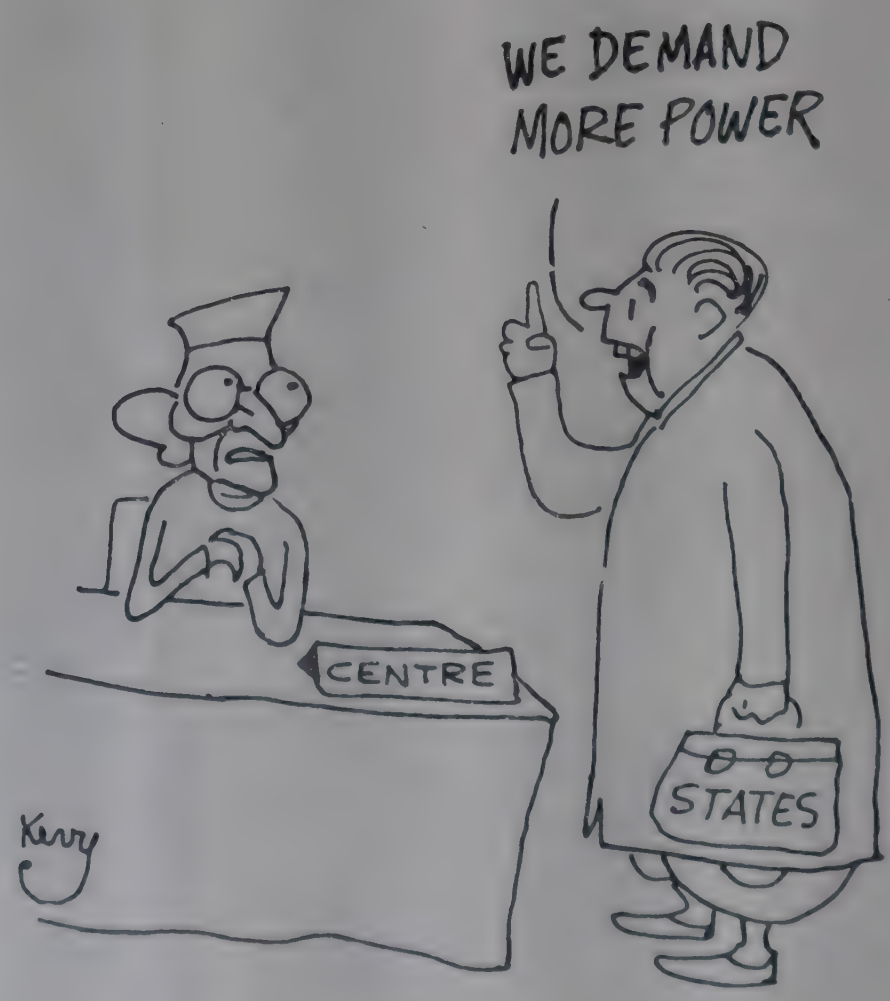
The quality of leadership which is able to contain the stresses and strains inherent in the process of change should be of a high order. The objective should be obtained in such a way that there is no disruption in the current activities of the organisation. The right type of leadership is able to foster teamwork which is essential for the success of all ventures. An efficient leadership should be able to make the right choice of the team and develop team spirit in its personnel.

Lack of an industrial culture which is able to plan ahead and stimulate change has damaged the viability of many of our industrial units with disastrous results. Only recently the government had to take over Swadeshi Cotton Mills of Kanpur, which was lying closed since December last. Apart from loss of production, over 7,000 workers had been thrown out of employment and consequent labour trouble had claimed many lives. The analysis given by Mr Thomas, if given serious attention, would go a long way in preventing sickness in our industrial units.

A point which Mr Thomas made and which needs to be highlighted is that professional management lacks entrepreneurship. He asked the million-dollar question whether entrepreneurs are born; he stressed the need to identify them and promote the min business establishments.

India is a vast desert of technological backwardness and managerial obscurantism, dotted with oases in the form of a few larger business houses that have imbibed modern skills of management from advanced countries, which could form a nucleus for change. Western observers are appalled at the backwardness of the methods of manufacturing and tools and implements used in farms and factories in this country which show no improvement on those used thousands of years ago. Unfortunately the government has threatened to dismantle larger business houses which had not only acquired a measure of industrial culture but were also pools of entrepreneurial initiative which Mr Thomas laments is not available in professional management.

The minister for Industry, Mr George Fernandes, the other day berated in parliament large business houses for their acts of commission and omission wholly unrelated to the country's industrial development. They are even accused of having grown fast enough. This is not the atmosphere in which industrial culture and technological change, of which Mr Thomas has spoken in his presidential address, can be brought about. The government will sooner than later have to revise its attitude towards fostering managerial innovation so that the country does not slide further backwards in the technological race.



CAPITAL'S CORRIDORS

R. C. Ummat

Travails of sugar industry • District industries centres • Modification of budget proposals • Transport committee

IN SPITE of the two packages of concessions announced by the government in November and February last, the travails of the sugar industry continue to persist. The president of the Indian Sugar Mills Association, Mr P.K. Kanoria, told newsmen here last week that sugar manufacturers were losing significantly as a result of the unremunerative prices of levy sugar and the persistent decline in the prices of free-sale sugar. As a result, arrears of cane payment had grown to nearly Rs 93 crores and were expected to grow further in the coming months. The prices of free-sale sugar, Mr Kanoria pointed out, had now fallen to Rs 235/240 a quintal, excluding the excise duty, as against about Rs 280 a quintal envisaged by the government for the purposes of cane price fixation.

One of the major reasons for the persistent decline in the price of free-sale sugar, it was pointed out, was that a substantial portion of the allocations of this sweetening agent for distribution in the rural areas was finding its way back to the urban areas, as the rural areas were not able to absorb the increased allocations. The increase in the allocations to the rural areas, Mr Kanoria said, too had been effected to some extent at the expense of urban areas which had the absorption capacity. That was the reason why nearly 50 per cent of the allocations for the rural areas were coming back to towns and cities. The arrivals of khandsari, he said, also had picked up. They had contributed to depressing the prices of sugar.

Mr Kanoria suggested that with a view to improving the situation and obviating the losses to the industry, there was an urgent need of bringing down the excise levy on free-sale sugar, a realistic increase in the price of levy sugar and increase in allocations for distribution in urban areas with some curtailment of releases to the rural areas. The latter, he said, was necessary to check the releases for rural areas being marketed in the urban areas. Exports, he added, must also be resumed expeditiously. Although the government had stated that the entire quantity of 6.5 million tonnes allowed to be exported by us under the International Sugar Agreement would be exported this year, the canalising agency—the State Trading Corporation of India—he said, had not yet exported any sugar.

The current situation on the sugar front, indeed, deserves to be tackled on the lines indicated by Mr Kanoria. But if the production trends this year are taken into consideration, there is imperative need for having a second look at the minimum cane prices the industry is expected to pay to growers.

rise in production

According to current indications, the production of sugar this year is likely to go up to as much as 60 lakh tonnes, as against the earlier estimate of 56 lakh tonnes. The industry, which has already accumulated stocks of the order of about 44 lakh tonnes, may be burdened with a carry-over stock at the beginning of the next crushing season to the extent of at least 26 lakh tonnes. This huge stock is bound to keep the prices of sugar depressed next year also as the sowings for the next year are reported to have been good.

No doubt, weather is said to have been quite favourable for sugarcane cultivation in the last two years, the major reason for a marked upswing in output has been sizeable additions to the area under ca cultivation, particularly in some of t northern states, owing to the minimu cane price payable by sugar manufactur being fixed at Rs 12.5/13 per quintal, against a much lower price recommend by the Agricultural Prices Commissi (APC). The higher minimum price f cane was fixed when there was acu scarcity of sugar as a result of fall in ca production. But it has been maintain at that level primarily on political co siderations. The long-term solution the problems of the sugar industry, ther fore, lies in realistically reducing ca prices rather than in adopting other me sures.

As suggested in this column last wee time has come when we can go in for pr per crop planning and land use. Th opportunity has been provided by th comfortable food stock position and th record foodgrains output this year of th order of 125.69 million tonnes. It wi be quite appropriate if in the exercis proposed to be taken up for a new cro planning, the situation created by a sub stantial increase in the acreage under can cultivation is also taken note of.

Mr Kanoria has also desired that ad quate finances should be made availab to the industry to service the accumulate stock. Owing to its strained financi position, he has suggested that the margin against credit should be lowered.

* *

The earnestness of the government t foster the development of small-scal cottage and village industries should b evident from the concerted manner i which the district industries centres ar being established to cater for all th requirements of the above industrial units particularly those belonging to the tin sector. The minister for Industry, M George Fernandes, revealed in the Rajy Sabha this week that nearly 120 suc centres, manned by trained personnel would have been established by May and another 60/70 in the next five months By the end of the current financial year their number would go up to as much a 400, out of the aggregate envisaged 460 Special efforts are being made for th development of north Bihar and east UP the two major problem areas. The othe states have also been asked to identif

imilar areas for intensive developmental fforts.

* *

Moving this year's finance bill for the onsideration of Lok Sabha last week, he Finance minister, Mr H.M. Patel, announced several modifications of his axation proposals. The concessions announced by him were as follows:

(i) The exemption limit for the disallowance, for the purpose of computation of taxable profits, of part of the expenditure incurred by tax-payers on advertisement, publicity and sales promotion is to be raised from Rs 20,000 to Rs 40,000 per annum. No disallowance will now be made in respect of expenditure on advertisement in any newspaper with a circulation not exceeding 15,000. A similar provision is proposed to be made in respect of the expenditure on statutory advertisements or advertisements for the recruitment of staff. No disallowance will also be made in respect of certain specified items of expenditure on publicity and sales promotion, including expenditure on sales conferences, press conferences and trade conventions; participation in trade fairs and exhibitions; establishment charges including salaries of staff; catalogues and price lists.

(ii) It was clarified that the expenditure on entertainment in connection with publicity and sales promotion would continue to be disallowed under the existing provisions relating to entertainment expenditure.

(iii) The scheme of export markets development allowance, which was envisaged to be discontinued after March 31, 1978, is to be continued with some modifications. This development allowance will now be available only to export houses recognised by the ministry of Commerce, small-scale exporters and consultancy firms. The quantum of allowance, however, is to be reduced from 150 per cent to 133.3 per cent in the case of widely-held domestic companies. It has also been proposed to reduce the list of eligible items qualifying for deduction under this provision.

(iv) The provision for a deduction in the computation of taxable income of 50 per cent of the amount invested in the equity shares of new industrial undertakings is to be extended to include approved companies established for providing long-term finance for construction or purchase of residential houses in the country,

(v) The exemption of long-term capital gains from taxation if the sale proceeds of the capital assets were deposited in a bank for three years, which had been withdrawn at the time of the presentation of the budget, is to be restored. But it has been stipulated that no loan or advance will be allowed to tax-payers against the security of such deposits for a period of three years.

(vi) The new tax-payers who were not previously assessed to income-tax have been provided the facility of continuing to furnish, as hitherto, an estimate of advance tax before the date on which the last instalment of advance tax is due in their cases. Under the original provision of the finance bill, all tax-payers, including those who have not been previously assessed to income-tax, were required to make an estimate of the income-tax payable by them before the date on which the first instalment of income-tax was due.

(vii) The concession provided to Indian citizens rendering service abroad and who visited their home country during any financial year on leave or vacation that they would not be regarded as resident of India in that year in cases where their stay in the country during the year does not exceed 89 days, has been made applicable to all Indian citizens employed outside India,

(viii) The excise duty of two paise per kWH on electricity generated in the country will now be imposed on 90 per cent generation, after deducting the generation for auxiliary consumption, instead of 100 per cent.

(ix) The plea of such industries as aluminium, in which electricity forms a large part of actual cost of production of goods, for some relief from the excise duty on electricity is to be considered in consultation with concerned ministries. The decision in this regard will be taken soon.

(x) Exemption is to be granted from payment of excise duty on coal to one per cent of the coal produced in the mines. Hard coke is to be exempted from the payment of this duty. The actual levy on coking coal will be limited to Rs 7 per tonne and on other coals to Rs 5 per tonne.

(xi) The condition imposed for the reduction of the basic duties on auto-rikshaws from 12½ per cent to 10 per cent ad valorrm that such auto-rikshaws were registered with the transport authorities as taxis for the plying of passengers on hire is to be removed.

(xii) Some minor modifications have also been announced in regard to the payment of excise duty by electricity producers.

The above modifications in the budget proposals are expected to result in a loss of revenue to the tune of Rs 27.93 crores in a full year and Rs 24.96 crores this year. (See details in the Records and Statistics).

* *

A high level transport policy committee has been set up by the Planning Commission under the chairmanship of Mr B. D. Pande, former cabinet secretary, to formulate an integrated and comprehensive national transport policy to meet the new Plan prioriries. The other members of the committee are Air Chief Marshal P. C. Lal, Mr G. P. Warrier, Dr F. P. Antia, Dr M. Q. Dalvi and the Adviser (Transport) in the Planning Commission.

The committee will recommend an optimal inter-modal mix of different systems and also suggest appropriate technical choices within each system, keeping in view the need to generate maximum employment potential. It will also suggest organisational, administrative, fiscal and legal measures required for planning implementing, monitoring and evaluating the programmes formulated for giving effect to the relevant components of the national transport policy by the central and state governments and major transport agencies. It will identify the areas in which the data base of the transport system should be strengthened in order to formulate integrated transport plans and suggest procedures and methodologies for formulating and appraising such plans.

The committee will as well recommend the areas in which research and development in the transport field should be undertaken and the institutional framework for carrying it out. Measures for improving training facilities in transport planning and management are also to be suggested by it.

The committee is expected to submit an interim report by October, 1978, and the final report by March, 1979.

Organisational structure of electricity boards

B. N. Baliga

The author who is advisor and head, Project Engineering Division, Bharat Heavy Electricals Ltd, gives a broad view of the investments being made by the state electricity boards as also the scale of losses being sustained by them. The industry being of such vital importance to the economy, he would expect greater attention to be given to the structure of the electricity boards and their organisation.

POWER SHORTAGE has caused serious loss to the economy of our country. There has been a sharp drop in industrial production. Some industries have been deprived of power supply altogether, several new industrial units which had been promised power supply have been waiting for power connections since long. Agriculture, which is largely dependent upon lift irrigation, has suffered to a large extent and is receiving power supply for a few hours often at night and sometimes during the day time. There is serious discontent in the rural areas which hardly get power supply during the evenings for lighting purposes. Rural water supply is also interfered with when power supply is not available. Power shortage, it has been accepted, is also operating as a deterrent to further investment in industrial development.

Planning for power development has always been on a generous scale in all our five-year Plans. The investment in each five-year Plan has been on an increasing scale. However the targets set for each Plan period were not achieved as can be seen from the table on the next page. It will be noticed that outlays on power programmes have almost doubled every five years, but the actual achievements have not kept pace with the investment.

Actually the programme adopted initially for the fifth Plan period was 16.5 mkW. This, however, was scaled down to 12.5 mkW. although the outlay on the power sector was increased from Rs 6190 crores to Rs 7293 crores.

It would also be relevant to state here that in all the five-year Plans, actual expenditure on power programmes exceeded the Plan allocations. However, the achievements showed sharp decline plan after plan.

This is strongly indicative of the fact that the assessment of demand does not have any bearing on the power situation in the country and controversies in this connection are futile and that the implementation of the programme adopted is of prime importance and therefore needs to be given greater attention.

The investment in power sector as a whole crossed the Rs 6500 crores mark in 1977. Annual investments of the order of Rs 2000 crores are being planned. The

POINT OF VIEW

investment in 1976-77, however, was not adequate for meeting the operation and maintenance charges and the interest burden of the state electricity boards (SEBs), which are Rs 1218 crores and Rs 412.15 crores respectively. The sale of energy by the SEBs in 1976-77 aggregated to about 65 billion kWh, the average revenue per unit sold being 23.4 p/kWh (which perhaps is reasonably high). The investment includes Rs 4600 crores from the state loans and the balance from the financial institutions—banks, LIC, REC etc. A small portion of the investment is from the internal resources of the SEBs by way of reploughing of the annual depreciation.

It has, however, to be noted here that SEBs have no equity capital. Further they have to pay interest on capital under construction as well. These factors have to be kept in mind while comparing the performance of the SEBs with other public sector units' performance. For the year 1976-77, the SEBs have met their operation and maintenance expenses to the extent of Rs 1005 crores (only one SEB could not meet its expenses), have set apart Rs 206 crores for depreciation and general reserve, paid interest of Rs 143 crores to the financing institutions and have also paid Rs 140 crores asi nterest to the state governments as against Rs 270 crores due.

subsidised supply

Briefly, therefore, the SEBs have 2.9 per cent interest on the loans from the state governments. If the capital structure of the SEBs were of debt-equity ratio 1:1, the SEBs will have paid dividends of 2.0 per cent on the equity. This performance may not be considered satisfactory. SEBs, however, are called upon to subsidise power supply to the rural areas and to power intensive industries and this factor needs to be kept in view.

In 1977-78 the investment programmes of the SEBs aggregated to Rs 1925 crores. In individual tates it varies sfrom Rs 5.96 crores in the case of Meghalaya to Rs 218 crores in the case of Uttar Pradesh.

There are only four SEBs whose annual investment is less than Rs 25 crores per annum. Annual investment in one SEB exceeded Rs 200 crores in 1976-77; in three SEBs it was above Rs 100 crores but below Rs 150 crores, in three SEBs it was in the range of Rs 75 crores to Rs 100 crores; in four others between Rs 50 crores and Rs 75 crores and in the remaining four below Rs 50 crores but above the Rs 25 crores level. Compared to the annual investments in other industrial sectors such as steel and fertilisers the annual investment even in the smallest of the SEB is appreciably high. What is noteworthy in this connection is that the investmetu

in the SEBs will be on a continuous basis for years to come (over some decades) and—what is more relevant—on an increasing scale. By the end of the sixth Plan period the annual investment in about eight SEBs will have crossed the Rs 150 crore level, three of them will have crossed the Rs 200 crore level and three others will have crossed the Rs 250-300 crore level. Almost all of the remaining will have exceeded the Rs 50 crores level.

In terms of total investment, in 1976-77 while UPSEB had crossed the Rs 1500 crore level, seven SEBs have already crossed Rs 400 crore level, three others the Rs 300 crores level, three more the Rs 200 crore level, two others the Rs 100 crore level and the remaining two the Rs 50 crore level.

The information given above would convey, in a broad sense, the scale of investments being made in the state electricity boards. In the year 1976-77 only five boards (Maharashtra, Gujarat, Madhya Pradesh, Rajasthan and Tamil Nadu) with a total investment of Rs 2353 crores earned a surplus of Rs 31.68 crores i.e. 1.36 per cent. It is, however, not certain that they will have continued to earn profits in the succeeding year.

Energy management is an essential part of the economic development of a nation. It is also univerally accepted that an efficient energy management system is an *a priori* condition for the economic development. State electricity boards, which form a major part of the nation's energy management system have, therefore, a key role to play in our country's economic development. The persisting power shortage, the instability of our power systems, the frequent power supply failures and power cuts, have however limited the agricultural and industrial developments in our country. The state electricity boards have also become targets of serious criticism. Considering the large investments made in these boards, considering the adverse impact of power shortage on our economic development, one would normally expect that the state governments would give the highest priority and importance to the efficient management of the boards. The situation obtaining, however, indicates that barring a few states the boards are looked upon as charitable institutions or welfare organisations. Interference in the day-to-day functioning of the so-called autonomous boards has become a common feature. In fact, the matter has assumed such serious proportions that our prime minister thought it necessary to advise the state authorities, while addressing the conference of the state ministers for power, held in December 1977, that interference in the running of the SEBs would damage the states' interest.

Again, one would normally expect that an industry so vital for the economic development of a nation would receive greater attention in respect of development of its structure and of its organisation. The situation obtaining, however, is that the boards are not allowed to develop on healthy lines. While the structure of the boards as laid down in the statute itself is deficient in many ways, the boards are reconstituted at very frequent intervals, and in some states at intervals of 12 to 18 months. Such changes, which are usually made to suit the political bosses, however, prevent the boards from functioning effectively, and further give rise to internal bickerings in the boards. Over the years, this has prevented the boards from developing sound management policies. Functioning of these large organisations in this crude and undisciplined manner has hindered development of managerial cadre and development of leadership capabilities.

Five-Year Plans : Investment and Achievements in Power Sector

(Rs in crores)

Plan Period	Investment			Capacity additions in		
	Plan	Power	Percentage col 3 x 100 / col. 2	Plan target mill. kw.	Actual achievement mill. kw	Percentage shortfall
1	2	3	4	5	6	7
1st Plan (1951-56)	1960	260	13.3	1.30	1.10	15.4
2hd Plan (1956-61)	4672	460	9.8	3.50	2.25	35.7
3rd Plan (1961-66)	8573	1252	14.6	7.04	4.52	35.8
Three Annual Plans (1966-64)	6756	1223	18.1	5.43	4.12	24.1
4th Plan (1969-74)	15779	2932	18.6	9.26	4.17	55.0
5th Plan (1974-79) (5 year)	39288	7293	18.56	16.5	11.3	31.5
(4 years) (1974-78)	N.A.	5582	—	—	7.2	
6th Plan (1978-83) (Indicative only)		16000		18.00		

unfortunate development

In an industry that is vital for the economic development of the country and in which appreciably large financial resources are being invested year after year, this development, to say the least is unfortunate. It is also reasonably certain that in such an atmosphere and working conditions, fulfilment of large targets and expectations of achieving self-sufficiency in electrical energy will not be realistic.

Management of every industry has to be tuned to the efficient discharge of its primary. functions. In the case of electricity boards, their primary functions are power generation, its bulk transmission to the consuming centres and retail distribution. Efficiency of a board would be measured by the adequacy of supply of energy, the stability of supply, the excellence of consumer service and the reasonable level of pricing of energy. Efficient functioning of the boards would depend upon its personnel policy, planning of career management and related training programmes, industrial relations, development of systems of personnel management, of financial management, of

mmercial policies and management, in-ntory control, accounting and auditing stem. Efficient management and decision-aking would require an efficient infor-ation and reporting system and a liable data bank also. Our electricity oards have not developed on these lines. onditions obtaining also prevent the oards from developing on modern anagement lines.

It is also apparent from the above that n electricity board is somewhat different rom other industrial enterprises. Unlike ther industries, it has to produce in bulk t various production centres, thermal, ydro and nuclear power stations, trans-ort in bulk the energy to various con-umption centres and do the retail selling n as and when required basis. Unlike ther enterprises the boards have to plan nd execute power stations and transmis-ion systems and carry out demand surveys n a continuous basis; year after year. Their pricing policies are laid down by the state governments. They are called upon to carry out unremunerative schemes of rural electrification. Locations of their pro-duction centres. i.e. the power stations, are decided not on techno-economic studies but mostly on political pressures. As stated earlier, the capital structure of the SEBs is also different from other public and/or private sector enterprises.

modern technology

It needs no explanation that modern technology of power generation differs vastly from that of extra high voltage transmission and transformation. This is recognised all over the world. The exper-tise in generation therefore cannot be replaced from transmission. This has been accepted in all the developed and even smaller developing nations. In our coun-try, however, we have not segregated the expertise on functional basis, although we have gone in for sophisticated plant and equipment in power generation. Our transmission systems are becoming more and more complex day by day but we still go abroad for consultancy. In most of the boards, there is only one technical member with a generalist as the chairman.

Training of manpower to operate the sensitive and sophisticated plant and equipment poses serious problems under these conditions. As a consequence of this, costly power generation plant, switchgear and transformers are being handled and operated by untrained and semi-trained operators and engineers. There is a scram-ble for advantageous posts located in the district headquarters and other places. Failures of power plants, switchgear and transformers have increased on this account. Recently a team of Greman experts visited some of the power stations and they were appalled at the conditions obtaining in our power stations and it was surprising to them that the stations were still generating electricity. We have, in fact, reached a stage where we feel gratified if the power stations are kept in operation at all. This is a matter that should cause serious concern at all levels.

need for efficiency

It is reasonably certain that we will continue to suffer from energy shortages in the country, as long as we fail to rea-lise that high standards of energy manage-ment are *a priori* condition for a satis-factory energy position and permit and enable the state electricity boards to func-tion and operate like commercial under-takings. The nation is spending every year a major proportion of its resources on power development programmes, sacrific-ing many other priority claims. It has, therefore, a claim that the assets created from those scarce resources should be operated and maintained efficiently and utilised for the maximum benefit of the nation.

Financing of the power programmes has posed serious problems in almost all the states and in all plan periods. Progress on the projects has, more often than not, slowed down on this account. This has happened in spite of the fact that the actual expenditure on power programmes as well as on individual projects has invariably exceeded the plan allocations. The problems in this connection have been many. The under-estimating of the projects to make them attractive and obtain government clearance for the pro-jects has been a usual/normal factor. The Plan provision for the projects on the basis of the estimates has, therefore, been inade-quate. Finding additional resources or diverting resources from other program-mes to meet such demands poses problems of a complex nature.

Another factor that has influenced the progress of the projects is the lack of ready resources with the states. State governments have to finance major portion of the Plan investment. Frequently the states are not in a position to provide the finances as and when required because of their difficult resource position at the particular time, although over the years, the aggregate resources are usually forth-coming. It is also not uncommon for the projects to be slowed down or even aban-doned, because the states are not able to find the necessary finances for the projects.

Earmarking of outlays and penalising the states for shortfalls has greatly helped in financing of the projects. But the problem of finding the resources for financing the projects on "as and when required basis" has still to be resolved. Presently, most of the electricity boards are facing difficulties regarding finances. Arrears of electricity dues i.e. dues not recovered from the consumers in some states exceeds Rs 50 crores. Some of the SEBs have been direc-ted not to disconnect consumers for non-payment of their electricity bills. Under such conditions, financing of the power programmes is giving rise to serious apprehensions in the SEBs.

influencing factor

Another factor that is likely to influence the power development programmes in the sixth Plan is the fact, that almost all the new schemes, aggregating to nearly 10,000 MW have been approved and included in the Plan almost simultaneously within a short period of two years—(1976 and 1977). All these projects would be com-mencing their activities almost simultane-ously. The financial demands of each of these projects will increase year by year and is expected to reach the peak at the same time. This aspect may be expected to give rise to serious resources difficulties. Fur-ther, the projects will require to be applied with plant and equipment, steel and cement, as well as erection tools and tackles and also construction and erection services, all at the same time. Such a situation is likely to create conflict of interests and may result in stockpiling of plant and equip-

ment and materials and give rise to price rise.

Financing of the projects and achieving of targets may, therefore, be expected to pose serious problems on these counts during the sixth Plan period.

It has to be appreciated that the success of the power programme, like any other development programme, depends upon industrial peace prevailing on the projects, and in the country as a whole. The projects would require plant and equipment to be supplied by M/s BHEL and several other manufacturers in the public sector as well as in the private sector. Besides the supply of plant and equipment, several construction and erection agencies would be operative on each project. The achievement of the targets, therefore, depends upon the supply of plant and equipment, construction of civil and structural works, and the erection of plant and equipment and its commissioning in time. It has to be appreciated that the targets set are based on the presumption that the civil and structural construction work, the supply of plant and equipment and its erection and commissioning would be closely coordinated and the various activities will dovetail into each other. Disturbance of industrial peace at any of the manufacturing plants or at project sites, it is apparent, would set back the progress on a large number of projects and the targets would slip.

The situation presently obtaining on the labour front, for whatever reasons, gives rise to serious doubts and apprehensions regarding the achievement of the targets. The government of India, as well as the state governments are fully aware of this. There are indications that steps are being taken to ensure industrial peace over the sixth Plan period. Industrial workers entertain a feeling that they are not being given a fair treatment. Inter-union rivalries, wage settlements and several other issues are posing problems and need to be resolved. There is obvious restlessness on the labour front. Power development, as well as industrial development in this country will, however, depend upon the solutions evolved by the government and the extent to which industrial peace is established in the states and the country as a whole.

I have tried to highlight the major factors that are likely to influence the power situation in the country over the sixth Plan period. The organisational feature of SEBs has been the subject matter of quite a few seminars and workshops have also been held on this subject. While the importance of organising the SEBs on a functional basis and their operation on commercial lines has been widely accepted and emphasised by one and all, the development of SEBs on these lines and development of capabilities in the SEBs has been hampered by many local factors. It is, however, reasonably certain that in spite of the large investments and generous treatment in this respect, power situation may not stabilise until managements of SEBs are put on firm grounds and are enabled to develop and operate on commercial lines.

Stay of voluntary company winding

F. L. Berarwalla

The author suggests that the power of resiling from voluntary winding up should be vested in the general body of shareholders of a company. He hopes that the Sachar committee will make it easier for shareholders to revive a company which is under voluntary winding up.

COMPANY LAW has revolutionalised trade, commerce and industry and has made a lasting impression on nations' political, economic and social structure. Company Law in fact is an effective instrument of the economic advancement of any country. Our government is actively considering several proposals for revival of sick units.

It is commonly felt that once a company resolves voluntarily to wind itself, the process cannot be unscrambled and it is not possible to revive the company. However, under sections 466 and 518, the court being satisfied about the proposal for reviving a company may permanently stay winding up proceedings. The texts of the said sections 466 and 518 are reproduced hereunder:

Section 466. Power of Court to stay winding up.—(1) The court may at any time after making a winding up order, on the application either of the official liquidator or of any creditor or contributory, and on proof to the satisfaction of the court that all proceedings in relation to the winding up ought to be stayed, make an order staying the proceedings, either altogether or for a limited time, on such terms and conditions as the court thinks fit.

(2) On any application under this section, the court may, before making an order, require the official liquidator to furnish to the court a report with respect to any facts or matters which are in his opinion relevant to the application.

(3) A copy of every order made under this section shall forthwith be forwarded by the company or otherwise as may be prescribed, to the registrar, who shall make a minute of the order in his books relating to the company.

Section 518. Power to apply to court to have questions determined or powers exercised.—(1) The liquidator or any contributory or creditor may apply to the court:

(a) to determine any question arising in the winding up of a company; or

(b) to exercise, as respects the enforcing of calls, the staying of proceedings or any other matter, all or any of the powers which the court might exercise if the company were being wound up by the court.

(2) The liquidator or any creditor or contributory may apply to the court specified in sub-section (3) for an order setting aside any attachment, distress or execution put into force against the estate or effects of the company after the commencement of the winding up.

(3) An application under sub-section (2) shall be made:

(a) If the attachment, distress or execution is levied or put into force by a high court, to such high court; and

(b) if the attachment, distress or execution is levied or put into force by any

her court, to the court having jurisdic-on to wind up the company.

(4) The court, if satisfied on an appli-tion under sub-section (1) or (2), that e determination of the question or the equired exercise of power of the order pplied for will be just and beneficial, ay accede wholly or partially to the pplication on such terms and conditions s it thinks fit, or may make such other rder on the application as it thinks just.

(5) A copy of an order staying the roceedings in the winding up, made by irtue of this section, shall forthwith be orwarded by the company, or otherwise s may be prescribed, to the Registrar, who shall make a minute of the order in is books relating to the company.

Section 466 of our Act is similar to Section 256 of the English Companies Act, 1948 which was made comprehensive and adopted as recommended by the company Law Committee.

The object of the section is to enable the Court after the order for winding up has been made, to stay further proceedings in the winding up, if application is made by a creditor or contributory and if good cause is shown thereof. The section may be resorted to where a company after an order for winding up has been made is able to set right matters and resume business or enters into some sort of settlement or arrangement for reconstruction and wants to avoid dissolution. It has to be noted that after an order of winding up has been made whether rightly or wrongly, the court has no jurisdiction to vacate the order. But the winding up proceedings may be stayed under this section indefinitely or for a limited period.

annulling adjudication

In the exercise of its jurisdiction to stay proceedings, the court should, so far as possible, act upon the principles which are applicable in exercising the jurisdiction to rescind a receiving order or annull an adjudication in bankruptcy against an individual, in which case the court refuses to act upon the mere assent of creditors in the matter, and considers not only whether what is proposed is for the benefit of the creditors, but also whether the stay will be conducive or detrimental to commercial morality and to the interests of the public at large. In re *Telescriptor Ltd* (1903) 2 Ch. 174; In re *East India Cotton Mills*, AIR 1949 Col. 69.

The jurisdiction may be used in proper circumstances for the resumption of business or for reconstruction purposes, as for instance, where a company is in a position to raise further capital with which to pay its debts and resume business, Cf. Re: *Walters (Stephen) & Sons Ltd*, (1926) Weekly Notes 236.

It would appear that if a voluntary winding up or a winding up subject to supervision is to be stayed, an order for winding up under section 440 must first be obtained and then an order under this section. But a voluntary winding up may be stayed under the combined operation of this section and section 518(1) (b). See however Re: *Serene Stores Ltd*, 1959 Com. Cases 299: (1958) 3 All.E.R. 316.

The scope of court's jurisdiction under section 518 is very wide, and it can determine any question arising in the winding up, and exercise any power which it may exercise in a winding up by court. *Indo-Allied Industries Ltd* v. *Punjab National Bank* (1968) 2 Comp, LJ 352.

interesting question

In a recent case Delhi High Court has decided this interesting question. The main controversy in the case turns on whether the court has power to stay a voluntary winding up. The power of the court in relation to a winding-up order passed by itself is contained in section 466 of the Campanies Act, 1956, which gives power to the court on an application either of the official liquidator or a creditor or a contributory to pass an order staying the proceedings either altogether or for a limited time. If the present winding up was the result of winding up order passed by the court, there would be no doubt that the court would have jurisdiction. For the purposes of submitting that the court has a similar power in relation to a voluntary winding up, the petitioner relied on section 518 of the Act.

The wide language in which this provision is framed seems to suggest that the power of the court in relation to winding-up proceedings, which are exercisable while a company is being wound up by the court, can also be exercised in the course of voluntary winding up. The submission of the petitioner is emphasised by the terms of sub-section (5) of this section, which reads:

"A copy of an order staying the proceedings in this winding up, made by virtue of this section, shall forthwith be forwarded by the company, or otherwise as may be prescribed, to the registrar, who shall make a minute of the order in his books relating to the company."

matter for consideration

Thus, the question for consideration is whether the power to stay the winding up exercisable under section 466 in relation to companies being wound up by the court can also be exercised when a company is in voluntary winding up. I find that the position taken up by the petitioner is consistent with a large number of reported cases. In re Punjab Co-operative Bank Ltd, AIR 1919 Lah 305, it was held under the old Act that the court could stay a voluntary winding up. In the matter of East India Cotton Mills Ltd (1949) 19 Comp. Cas 61; AIR 1949 Cal 69, S.R. Das J. (as he then was) examined the principles on which a stay of the winding up could be ordered and found that it was analogous to the jurisdiction exercised while rescinding a receiving order or annulling an adjudication in bankruptcy.

There are some English cases also in which a voluntary winding up was stayed. Examples of these are: In re South Barrule Slate Quarry Co (1869) LR 8 Eq C 688, *In re Titian Steamship Co* (1888) WN 17 and many other cases. It has been held in such cases that mere consent of the parties is not enough but the court should consider all the circumstances. A leading judgement on the principle on which the court should act while ordering stay is in re *Telescriptor Syndicate Ltd* (1903) 2 Ch D 174. In that case, the court detailed various points for and against ordering a stay of the winding up and decided that there was no gound for staying the winding up on the facts as they were. The court, however, observed that, at a later date, the official receiver could report whether all the liabilities and creditors and contributories had been settled and the

debts had been paid and whether the members were prepared to reduce their share capital by surrendering and cancelling their bonus shares, then the court would "as at present advised be prepared to stay the proceedings in the winding up." Thus, there is no doubt that the court does possess the power to stay a winding up even when it is a case of voluntary winding up. There must, however, be facts justifying the stay. The words used in section 466 are: "On proof to the satisfaction of the court that all proceedings in relation to the winding up ought to be stayed." Thus, I have got to find from the facts whether this is a case where the winding up ought to be stayed or whether it is a case where the company should be finally wound up.

On this aspect of the case, the pleadings in paragraph No. 10 of the petition are as follows:

"The company was put into liquidation largely due to unwillingness on the part of the management to provide funds for running the bnsiness. The present management and the shareholders are keen to revive the business of the company and are also willing to provide necessary funds for the business if the voluntary winding up is stayed. The company has no liabilities and no assets to be realised but enjoys lot of goodwill amongst the clients to be able to successfully revive the business. The company has facilities to start business including business premises."

Turning now to the aims and objects of the company which are set out in paragraph No. 8 of the petition, it appears that the company is a hire-purchase company and also an investment company. The accounts of the company disclose that the liquidator has realised, Rs 34,032.28 and there is no creditor or debtor of the company. Thus, the amount in hand is equal to the total paid-up capital of the company which is Rs 34,200. It is just as if the company was starting business with a fresh start. I do not find any reason to hold that it will be detrimental to anyone if the company is restarted. There are some funds with the company, and the nominal capital is Rs 5,00,000 of which only shares worth Rs 34,200 have been issued. It is quite possible for the company to expand its share capital. In any case, the company i not now any worse off than it was whe originally incorporated.

In the circumstances, and particularly in view of the fact that the managemen wants to revive the company and there seems to be no impediment whatsoever the court allowed the petition. Consequently, the court stayed the winding-up proceedings altogether. *Voluntary Liquidator Dimples Pvt Ltd* V. *Registrar of Companies* (1978) 48 Comp. Cas. 98.

It is submitted that the power of resiling from voluntary winding up be vested in the general body of shareholders who could do so by a special resolution. After all, winding up is a long drawn time-consuming process which does no benefit either to the shareholders or the company and involves avoidable wasteful expenditure. It is hoped that Justice Sachar committee will consider this subject in its correct perspective and accordingly recommend express provisions in the law to avoid any hardship particularly in cases where shareholders wish to revive a company which is in voluntary winding up.

Heavy industry : its relevance and responsibilities

V. Krishnamurthy

In his keynote address to the Sixth National Management Convention held at Madras on April 9, 1978, Mr V. Krishnamurthy, Secretary, Department of Heavy Industry, Government of India, said that it was necessary to nurse heavy industry and keep it in good shape if agricultural production was to be boosted through the use of irrigation, fertilizers, farm equipment and other inputs.

AMONG THE various sectors of economy covered in the plenary sessions of this convention, the employment generated per unit of capital input is perhaps lowest in the case of heavy industry. The general picture that this sector conjures up is that of a high-technology, capital-intensive industry with low employment potential and long gestation period. What could be its relevance in a country with an agricultural economy, scarce capital, abundant labour and impatient with time in its development efforts?

In this session, I will like to dwell upon the relevance of heavy industry and the role it plays in ultimate employment generation through linkages with other sectors.

When India attained independence, there was hardly any heavy industry worth the name in the country. There were two major units for producing iron and steel. The installed capacity for power generation, based entirely on imported equipment, was less than 2500 MW. The mining of about 30 million tonnes of coal was sufficient to meet the requirements, mostly needed for the railways. There was hardly any production of machine tools. The story was the same in the case of other basic industries. With such a poor infrastructural base, the state of industrial development was at a very low level.

The process of planning started in early 1950s directed the flow of investments along certain desired channels. Paper, cement, sugar, textile, drugs & pharmaceuticals, medium and light consumer goods industries attracted the private capital while the state undertook the responsibility of developing basic and strategic industries in defence, public utilities, mining, metallurgical and heavy engineering sectors.

The importance of heavy industry as the launching pad for the industrial development of the country was recognised and stressed during the period 1955-70 and massive investments were made in heavy machine building. Mining and metallurgical industries including iron and steel, machine tools, basic chemicals and fertiliser plants, heavy electricals and other segments of heavy engineering sector. In many of these cases, starts were made with modest targets; by the time detailed project reports were ready, the potential demand outstripped the initial estimates and new investments had to be planned for. I remember how, when

heavy electricals plant at Bhopal was
l in construction stage, the capacity as
l as the product-mix planned for were
nsidered grossly inadequate and steps
re initiated for setting up three addi-
nal plants. This strategy of emphasis
heavy industry continued during the
bsequent plans. Whereas the share of
etallurgical, machinery and chemical
dustries in outlay for industry sector was
per cent in the fifties, it went up to
per cent during the sixties.

Today, if we survey the industrial scene
d compare it with that prevailing in the
rly fifties, the achievements are striking
deed by any standards. Take any
dustry—power equipment, steel or
achine tools—multi-fold increases have
ken place in their turnover. In areas
here the country was totally dependent
n imports ten years ago, Indian capital
oods industry is able to produce all that
ne country needs. On an overall view
here has almost been a ten-fold increase
n the output of engineering industries in
hree decades. In many areas like heavy
lectrical equipment manufacture, machine
ools etc the Indian industry is ranked
within the first ten in the world.

diversity of content

More remarkable than the quantitative growth has been the diversity of production-content. Equipment for steel, aluminium and other metallurgical plants, for power generation, transmission and distribution, for mining of coal, iron and other ores, for refineries, chemicals, fertiliser and petro-chemical plants, for earthmoving and construction industry for other transportation by air, sea, road and rail—all are being manufactured indigenously today.

The development of heavy industry sector, in turn, has given fillip to a number of consumer and intermediate goods industries which offer a wide spectrum of products and services.

Besides, Indian industry has also, over the years, developed expertise to execute projects on a turnkey basis, from concept to commissioning. Be it a power station, cement, sugar or a paper plant or a construction project, supply of a complete package of both hardware products and software services is within the scope of our organisations. This capability is gradually extending to a wide range of industries.

It is this versatility and diverse range of products, services and projects that has brought Indian engineering industry to an eminent position today. Employing about two million persons directly, its total annual turnover is around Rs 8,000 crores —about half of which comes from the establishments in small-scale sector. From almost total dependence on imports, it not only meets domestic needs but has emerged to be the largest single component of our exports and is well set to achieve the target of Rs 1,000 crores in this regard in a couple of years.

national goals

Yet, what have these achievements meant in the context of our national goals, namely, eradication of poverty and removal of unemployment? Many see these developments in the field of heavy industry as islands of prosperity in an ocean of poverty. Often-times we hear that the emphasis on heavy industry, in the early period of development, was wrong and that this has created certain distortions. The reasons for this view are:

The injection and development of manpower skills, technology and managerial expertise has been largely limited to the organised industry only. Look at the massive resources, financial and otherwise, deployed in areas like agriculture and irrigation, power utilities, health and social services, education, village and community development and the like. The management of resources in these non-industrial and non-organised sectors has not received the requisite attention. The fruits of whatever development that has taken place, as reflected in the rise of per capita income, seem to have been shared by urban areas only. The rural incomes, except in certain pockets, have by and large remained stagnant in real terms. This has accentuated the disparities between rural and urban areas and also encouraged the migration to the latter.

The rate at which the eligible persons have been joining the ranks of unemployed has outpaced the rate of generating additional employment. The cumulative result is that today we have a staggering figure of more than 20 million people without productive jobs. Even the prosperity of heavy industrial units seems to have become localised and confined within the boundary walls of the factory and township area. Local surrounding regions around large enterprises have hardly benefited.

disquieting observations

These observations are quite disquieting but hard to refute. They naturally raise a question: would a strategy different from the one followed with accent on heavy industry, have yielded better results? Should not the generation of additional employment and development of rural areas override other considerations? What will be the role of heavy industry in the context of these priorities?

While I concede that for a given financial input, employment potential is more in smaller, rural, cottage and agricultural industries and that more and more attention should be paid to these, I do not subscribe to the view that the emphasis placed on the development of certain key industries over the last 15 to 20 years was not right. I think the country has greatly benefited through the development of heavy engineering sector.

In our preoccupation in assessing the direct employment in heavy industry, we tend to forget its role in setting chain reaction in other sectors of the economy which are dependent on goods and services provided by the heavy industry. In fact, it is wrong, in my view, to divide the economy in various water-tight segments and consider each of them in isolation without taking into account the inter-sectoral linkages.

We have before us a certain mix of national problems to be solved. In drawing up a programme for this, we have to take into account the scenario of development process followed so far along with its concomitant successes and failures and the availability of resources. There is abundance of natural resources like coal, iron and other minerals and metals, arable land and the rivers. The potential for power generation is tremendous. And then we have, as our chief asset, the skilled manpower trained in different disci-

plines. We have one of the largest reservoirs of qualified scientists, engineers and technicians. The educational facilities that we have set up turn out annually a large number of qualified personnel. With such a rich resource-mix, the development of all the sectors can be sustained without putting constraints on any one, provided this development is an integrated one. In fact, such an approach is also necessary in view of the intersectoral linkages.

heavy industry

Let us have a look at what constitutes heavy industry, what use its products serve and who are its customers. Taking specifically the group of industries coming under the department of Heavy Industry, products manufactured are mostly capital goods such as :

* Machine tools.
* Equipment needed for power generation, transmission and distribution.
* A wide range of machinery for iron & steel plants, sugar, cement, paper, textile, jute, rubber, chemicals, petro-chemicals, fertilisers, dairy and food processing industries.
* Road transportation equipment.
* Rail transportation equipment.
* Tractors & farm machinery.
* Mining & metallurgical equipment.
* Earthmoving and other construction equipment.
* Castings, forgings etc.

These items are needed by, besides industry, almost every other sector of the economy—energy, communication, transport, construction, agriculture, mining, steel and metallurgy. The output of heavy industrial units forms an input to industries which produce basic consumption goods for the public. With such strong linkages and complementarity with other sectors, the composite performance trend of the heavy industries can truly be said to reflect the general state of economy in the country.

About half of the turnover of engineering industry amounting to about Rs 4000 crores comes from the small-scale units. There is substantial interdependence between the large and the small manufacturing units in the heavy industry. Nearly 80 per cent of output of the two groups is inter-meshed in the sense that products of one form inputs for the other and vice versa. Thus any swings in the fortunes of heavy industry directly affect thousands of supporting and feeding small units also. This inter-linkage increases directly as capability to engineer and set up total system develops within the country.

While gauging the employment potential of heavy industry, it will be misleading to consider only the persons directly employed in manufacturing establishments. A number of ancillaries, subcontracting and feeder units support the heavy industrial units. Besides, a chain effect takes place through generation of secondary and tertiary employment. For instance, each additional bus on the roads creates employment for ten persons in operation, maintenance and repairs and administration activities. Similarly, while only ten persons may be engaged in manufacturing one MW equivalent of power equipment, the same amount of power used in a factory would result in employing 400 to 500 people. Construction of one km of road generates employment for about 100 man-hours. Thus, for better appreciation of the role of heavy industry, it is essential to have a look at its consumption sectors.

outlay on farming

The draft sixth Plan proposes significant increases in outlays for agriculture and allied activities and rural development, irrigation and flood control, energy and transport and communications. These four sectors, together, account for 70 per cent of plan outlay of nearly Rs 70,000 crores, and represent in their allocation, an increase of 100 per cent over the revised fifth Plan estimates. Bulk of the output of heavy industry—nearly 70 to 75 per cent of the goods and services—goes to these very sectors. Let me give here a few illustrations:

(a) The doubling of the outlay on agriculture and allied activities and rural development would give a spurt to the demand for tractors, power tillers, farm implements, diesel engines, pump sets, etc. Similarly, 100 per cent increase in fertiliser production envisaged during the next five years would entail increased supply of capital equipment for plants producing fertilisers and pesticides.

(b) The massive step-up of allocation on irrigation & flood control, from Rs 423 crores in fifth Plan to the proposed level of Rs 9650 crores in next five years would mean increased requirements of construction machinery for dams and canals, earthmoving equipment, pipes and equipment for tubewells.

increased mobility

(c) Development of rural areas will require both inwards and outwards movement of goods as well as increased mobility of its populace. All villages with a population of over 1500 and half of those with population of 1000-1500 are proposed to be linked by roads during the next Plan period. The massive road building programme will, besides requiring the use of construction machinery and cement, give a fillip to the automobile and ancillaries industries.

(d) Power, as a basic prerequisite, has rightly been accorded the highest priority. It is proposed to add, just in a span of next five years, nearly 20,000 MW of power generating capacity, over and above the present installed capacity of 24,000 MW. Can the power industry in India ask for a greater challenge? Coupled with the emphasis on rural electrification, consider the demand it will create for products like power generation equipment, construction machinery, transformers, switchgear and sub-station equipment, transmission towers, structurals and other accessories.

(h) Take the case of cement; we are currently short of it by two million tonnes annually. With the accent on construction and other employment-oriented schemes, the production of cement will have to be doubled in five to seven years. The heavy industry has to ensure an adequate and assured supply of both cement machinery and cement if the progressive schemes of the government are not to receive a setback.

Besides directly generating the demand for the products of heavy industry, the overall development of rural areas and raising of their standard of living would widen the presently restricted markets for

nsumer durables and items of mass nsumption. The production of these ods, even in the small sector, will require pital equipment from heavy industry.

Thus, by all accounts, I foresee a role r the heavy engineering industry in the ming years which will strengthen the nds of the government in launching on their new schemes which are nployment-oriented and are aimed at lving some of our most crucial probms. The shift in emphasis on agriculre and development of rural and frastructural sectors will, through backard linkages, only give a further boost the heavy industry.

I am conscious of the fact that this shift nposes certain obligations on our heavy ndustry. I am aware that the heavy ndustry in India has developed good anufacturing, technological and manaerial skills over a period of time. There need for tapping this reservoir of xpertise in tackling the pressing tasks f generating employment and developing ural areas. For example, the technology eveloped in the heavy industry can be iffused for the betterment of other ectors which have lagged behind due to he lack of modern inputs. Large industry, instead of manufacturing all the components and items under one roof, can nurture a number of small feeder units by providing them advice and guidance on engineering and managerial aspects. In the case of basic chemical industry, the processing of down-stream products can be dispersed over a number of smaller enterprises.

At only a nominal cost, the heavy industry units can directly assist in rural development by setting up service centres and workshops and providing help in horticulture, dairy and poultry farming, animal husbandry, leather industry, digging of wells and other projects for provision of drinking water, establishment of schooling facilities, health care and the afforestation programmes.

The inter-sectoral distortions emerging as a result of process of development followed so far and the non-fulfilment of people's rising expectations in the economic sphere have led to certain misgivings about the role of heavy industry. The scarcity of allocable resources has further tended to have some *a priori* assumptions about the priority of one sector over another. Little is it realised their balanced development is not a zero-sum game— a 'loss' of hevy industry is not a 'gain' for agriculture; in fact it would mean a greater loss in view of the chain reaction.

We have to nurse heavy industry and keep it in good shape if the agricultural production is to be boosted through irrigation, use of fertilisers, enery inputs, farm equipment; if the rural areas are to be developed through construction of roads, movement of goods and people and rural electrification; if the supply of power is to be augmented by manufacture and commissioning of power generating, transmission and distribution equipment; if there has to be increased production of basic metals by the use of mining and metallurgical equipment; and if there has to be enhanced availability of a number of consumer items like textiles, paper, sugar, cement, tea, dairy and food products etc, the capital equipment for which is provided by the heavy industry.

It is difficult to conceive of any stage in our development process when we can question the relevance of a sector which provides basic and infrastructural goods and services, Adequate growth in this sector has to take place if we are to ensure that development in other sectors is not affected.

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Forward planning in eastern economies

This is a review of recent economic developments in eastern Europe and the Soviet Union which was released in Geneva by the secretariat of the United Nations Economic Commission for Europe (ECE).

THE EAST European countries with the exception of Poland, had foreseen some acceleration in overall growth in 1977 compared with their performance in 1976. The Soviet Union planned a slowdown from five per cent in 1976 to 4.1 per cent in 1977. The acceleration in eastern Europe in 1977 turned out to be less vigorous than planned at six per cent and the growth rate recorded in the Soviet Union was 3.5 per cent in terms of the material product distributed within the country. As a result aggregate net material product for the east European countries and the Soviet Union taken together, rose by 4.2 per cent compared with 5.2 per cent in 1976.

In the majority of the countries concerned, targets for the growth of net material product for 1978 have been set at a level close to the actual rates achieved in 1977.

Industry is the sector which is planned to contribute most to overall expansion in 1978, but as the majority of countries envisage a decreasing intensity in industrial expansion in comparison with 1977, much more support to the forward movement will be expected from the non-industrial sectors than was the case last year. Except for Bulgaria and the German Democratic Republic, all countries foresee an all-time record level in agricultural output in 1978.

Bulgaria combined consolidation with growth (6.3 per cent) in 1977. Investment spending increased by about 6.5 per cent and remained within the planned limit; the deficit in foreign trade—$243 million in 1976—was reduced to $13 million in the first nine months of 1977. The direction of policy for 1978 implies a slight speeding up in the pace of overall economic expansion, with a target of 6.8 per cent.

Net material product rose by only 4.5 per cent in Czechoslovakia in 1977 due, probably, to a lower-than-planned performance in sectors other than industry and agriculture—construction, transport and trade for example. Industrial output was higher than planned and agriculture recovered after two bad years in a row. The targets for 1978 do not show any marked change in the pace and profile of planned expansion.

The German Democratic Republic was to a great extent successful in regaining the momentum of overall expansion in 1977 (5.2 per cent growth). Industry and construction were the main contributors to the acceleration of growth. The degree of inconsistency with the five-year plan target in terms of net material product was considerably reduced and the 1978 plan foresees the continuation of this trend.

The rate of growth of net material product almost attained eight per cent in Hungary in 1977 largely exceeding the target. Performance was very good in terms o production in all important sectors of th economy and particularly in agriculture which reached a record level. In som respects, however, growth was unbalanced A modest 4 to 5 per cent increase i investment spending had been planned but the actual figure in constant prices wa 13 per cent higher than in 1976. Th trade deficit reached $640 million in th first 11 months of 1977—almost twice a much as had been hoped for. A five pe cent rise in net material product has bee planned for 1978. Measures have bee taken to restrain investment spending and to bring developments into line wit the five-year plan targets.

policy of consolidation

Poland's rate of growth in 1977—5. per cent—was, as intended, lower than i 1976 and structural disparities betwee the main production sectors were reduce in consequence. Industrial expansion however, was greater than intended an construction lagged. Output in agricultur fell for the third consecutive year and thi was the main reason for limited result from the policy of consolidation. Pre liminary data for the first nine months o 1977 indicate that the Polish trade situa tion improved, with a reduction in th deficit. However the 13 per cent targe for export growth was not completel achieved and the rate of increase of im ports was about double the planned figur of 2.7 per cent. A slight deceleration ha been planned for 1978.

Romania had the highest overall rate o growth among east European countrie and the Soviet Union in 1977, but th figure—8.6 per cent—was below the targe (11.3 per cent) and also below 10 per cen for the first time since 1970. Imports an exports both rose in value by about 1 per cent and remained in balance Romania, alone among the eastern coun tries, is aiming for across-the-board expan

WINDOW ON THE WORLD

n in 1978 (a target rate of 11 to 11.5 cent growth).

The 3.5 per cent increase in net material oduct distributed in 1977 in the Soviet ion was largely the consequence of the licy of redressing foreign trade balances. nsidering the Soviet Union's overall de surplus, which according to pre-inary data for the first nine months of 77, amounted to more than $1.6 billion, e expansion of produced net material oduct can be estimated to have been gher than 4.5 per cent. The fact that e slowdown in growth was more pro-ouuced than had been anticipated arose om developments in three areas : agri-ulture, where a three per cent increase was ecorded, and 195.5 million tons of grain ere produced; construction, 3.1 per cent; nd freight transport. 3.5 per cent. Indus-rial production (5.7 per cent growth) as the main factor in the economic ex-ansion achieved. The *Economic Survey* otes that crude oil production in 1977 mounted to 546 million tons, 26 million ons more than in 1976.

The growth target for 1978 in terms of material product distributed is four per cent, indicating a slight increase in the allocation of resources for domestic use. A rise of 4.5 per cent in industrial production is planned.

slowdown in growth

In the Byelorussion SSR, five per cent growth—a little below the previous year—was recorded in 1977. A decline in agricultural production was mainly responsible for a less vigorous expansion than had been foreseen. Industrial production, on the other hand achieved 8.3 per cent increase. A six per cent overall rate of growth is foreseen in 1978, but with a slowdown in the rate of industrial expansion.

Developments in the Ukrainian SSR were more in line with the performance of the Soviet economy as a whole. A five per cent rate of growth was maintained in 1977. Industrial expansion, at 5.7 per cent, was well above the figure for 1976. The growth of agricultural output was 3.6 per cent. Ukrainian grain production in 1977 was at the record level of 48.6 million tons. The targets for 1978 envisage a slowdown in growth.

The management of human and material resources has proved to be more difficult than anticipated in the current five-year plans, the *Economic Survey* states. This situation reflects a long-term downward trend in labour supplies and a performance more modest than planned in agriculture and in the production of energy and raw materials.

In the field of manpower supplies, the level of domestic resources for additional employment has been falling considerably, and the shortfall has not been compensated for by any additional increase in labour productivity. "It follows from this that the growth rates of labour productivity in 1976 and 1977 must have remained below those envisaged by the five-year plans in the majority of countries", the *Economic Survey* suggests.

highest priority

The *Economic Survey* notes that the highest priority in the allocation of resources in eastern Europe and the Soviet Union has been given to investments in capacities which improve the export potential. Hungary, Poland and the Soviet Union explicitly aimed to restrain the domestic distribution of net material product in 1977 with this purpose in mind. These three countries plan further restraint in 1978.

In discussing east-west trade, the *Economic Survey* states that the slowness of the recovery of the western market economies has retarded the planned adjustment of the foreign balances of the east European countries and the Soviet Union. The development strategies of these countries have been very strongly influenced by the desire to restore and maintain a balance in foreign trade and payments, in particular with the western market economies.

The slow development of exports to the west has limited the eastern countries' capacity to earn the convertible currency needed not only to pay for imports, but also to manage and repay external debts. Although existing credits and facilities for further borrowing may make it possible to maintain deficits in east-west trade at the 1977 levels, several east European countries have stated that they intend to reduce them. This is particularly true of the Soviet Union, Poland, Hungary and Bulgaria.

rise in exports

In the first nine months of 1977, total exports of eastern Europe and the Soviet Union rose by an estimated nine per cent in volume, while imports rose by five per cent. The east-west trade deficit was reduced and might possibly be below $5 billion for the whole of 1977—$2.5 billion less than in 1976.

While the net amount of debt of eastern to western countries may have gone up from an estimate of $32 to $35 billion at the end of 1976 to $37 to $40 billion at the end of 1977 (part of it repayable in counterpart deliveries from turnkey projects) the current deficit situation generally improved over the year. The Soviet Union recorded a significant decline in its east-west trade deficit in 1977 ($2.1 billion in the first nine months adjusted to an annual basis, against $3.5 billion in 1976) and Czechoslovakia managed to keep its overall and east-west deficits at a moderate level. It is thought that the German Democratic Republic checked the rising trend in its overall and east-west trade deficits; Poland reduced its overall and east-west deficits. Only Hungary and Romania reported increases over 1976.

Eastern exports to developing areas of the world expanded vigorously in 1977 by an estimated 28 per cent. Trade among member countries of the Council for Mutual Economic Assistance (CMEA) also gathered pace, although the relative shares of eastern, western and developing countries in the total foreign trade of the CMEA area did not change significantly.

The acceleration of growth of exports from eastern countries to the developing world, already noted in 1976, was sustained by increasing credits, particularly for sales of machinery. The developing countries also increased their cash purchases in the eastern countries in 1977, using a part of their growing currency reserves to buy industrial materials and

equipment. The scope of economic co-operation between eastern and developing countries was extended in volume, value and coverage. Among the biggest deals were those between the Soviet Union and Morocco, for the development of the phosphate industry and for the supply of Soviet equipment for an alumina plant in India and between Poland and Colombia for a joint coal mining venture.

The *Economic Survey* notes a trend towards the replacement of clearing agreement by payments in convertible currencies in the system of payments between the members of the Council for Mutual Economic Assistance and the developing countries. The shift to multilateral settlements has been helped by the recent decision of the CMEA to permit much wider use of the transferable rouble outside the CMEA area.

Economic interdependence and the Third World

Robin Gordon-Walker

The economic interdependence between developing and developed countries is now an almost universally recognised truth, says the author, which is particularly relevant in the current world recession.

THE DEVELOPING countries of the Group of 77 represent more than half the world's population and an increase in their effective demand is a crucial factor in the revival of the economies of the industrialised countries.

Conversely, the economic recovery of the developed countries, with a consequently increased demand for commodities and raw materials, is a key factor in the economic development of the Third World.

This recognition of the need for effective international cooperation means that all countries are involved in the current economic difficulties of the Third World.

One of the most serious problems—the indebtedness of the poorer countries, running into over $ 200 billion—was discussed at the UNCTAD Trade and Development Board ministerial meeting in Geneva from March 6 to 10.

In many countries, debt difficulties, combined with other balance of payments problems, threaten development plans and growth rates. There would be very serious consequences for the world if the deficit states were all to cut back on their growth rates in an effort to achieve financial balance.

The transfer of resources from countries with balance of payment surpluses—through the commercial banking system and major international institutions such as the IMF—plays a vital adjusting role for countries with economic difficulties. Even so, a way must still be found of meeting the problems of countries whose development is limited by the need to service their debt.

major problem

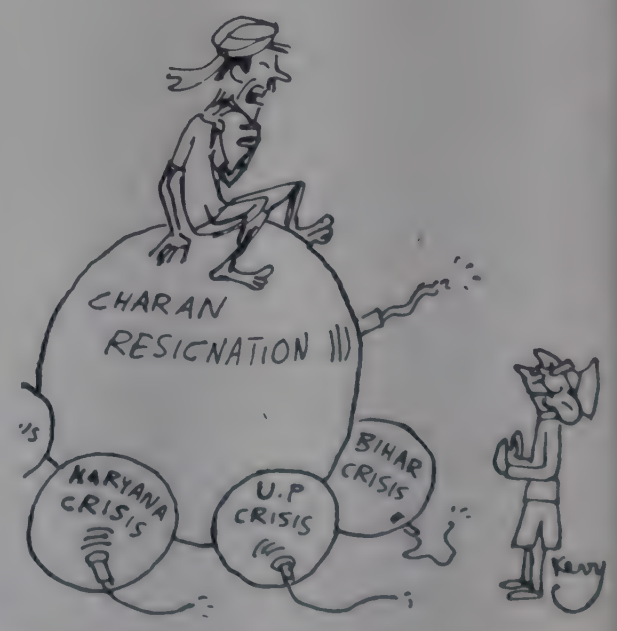
The concept of generalised debt relief has been much canvassed as a solution, particularly in the last four years since the five-fold oil price jump which has magnified the financial problems of the poor countries. But it poses two major problems: (1) It would be likely to create hesitation about future lending among the commercial banks who provide the main channel for capital flows; and (2) It would be very difficult for governments in industrial countries to accept responsibility for subsidising repayments of debts to non-official and non-governmental commercial organisations.

Many countries, including Britain, believe that a better solution lies in a three-pronged approach: First, recognition of the importance of strengthening present arrangements for channelling persistent surpluses to deficit countries; Second, increasing the resources available to the international financial institutions; and Third, support for international action to deal with individual cases of imminent or actual default. The British government considers it vital to respond quickly and sympathetically to the needs of countries which find themselves in acute difficulty.

Western governments are anxious to help the growth plans of developing countries with financial aid. Britain, for example, has a wide-ranging and flexible programme of government aid. Over the last three years, the UK government has followed a policy of giving priority to the poorest countries and the poorest people in those countries. In addition, aid to the poorest countries—those with a GNP per head in 1976 of fewer than $ 280 US—is given entirely on grant terms.

The most promising sign is that governments and peoples are beginning to appreciate the reality of interdependence. The search for more effective internatiohal economic cooperation will continue.

Courtesy : London Press service



The PM hopes the Janata Party will achieve unity in six months.

Synthetic fibres lack lustre in USA

The Chase Manhattan Bank in its study on synthetic fibres which appeared in its bi-monthly publication 'Business in Brief' says that doubts about the industry's basic strength have been dispelled. Yet the recovery from the recession has not been strong enough to make up for increases in capacity.

SYNTHETIC FIBRES in the United States—long a remarkable growth industry—have yet to snap back from the 1973-75 recession. Demand is expanding again but with far less than its pre-recession vigour, and new plants begun then have come on stream. As a result, low operating rates and weak prices are leaving producers with little opportunity to offset higher costs. Given the outlook for only modest expansion in economic activity next year, synthetic-fibre markets are not expected to resume their typical robust growth. The situation has led producers in the Unitad States and western Europe to seek relief from imports, which have increased greatly in the past two years. This will be done, it appears, within the framework of a renewed GATT-related international textile agreement.

remarkable progress

Markets for synthetic fibres have undergone remarkable expansion. From 1955 to 1973, world production of cellulosic and non-cellulosic fibres grew 9.0 per cent per year to reach 26.4 billion pounds (see the box for technical information.) Noncellulosic rose over 20 per cent yearly to reach 18.3 billion pounds. The introduction of synthetics offering high performance led to substitution for natural fibres in established products—either wholly or in blends—and to the creation of entirely new uses. Larger markets enabled producers to take advantage of economies of scale and lower prices. This increased the competitiveness of synthetics and thus accelerated expansion.

In the United States, synthetics accounted for only 28 per cent of the 6.7 billion pounds of fibres used by domestic textile mills in 1955. By 1976, man-made fibres held 70 per cent of textile mill consumption totalling 11.6 billion pounds. About 38 pounds of man-made fibres were consumed per capita last year, around four times the 1955 amount. Such figures hint at how much the fabric of modern life is interwoven with synthetics—a colourful tapestry of polyester knit suits and slacks and blendcd shirts, nylon carpets and hosiery, and acrylic sweaters.

Demand for textiles and apparel is sensitive to business cycles, since such purchases can generally be postponed for a while. Thus, despite underlying strength from market development, growth in the synthetic-fibre industry had tended to be cyclical. The world boom of 1972-73 brought the industry extraordinary growth. From 1970 to 1973, shipments by US manufacturers jumped 62 per cent, while world production surged 39 per cent. At the peak, producers were hard-pressed to fill orders. US noncellulosic plants ran at over 94 per cent of capacity, and output was further constrained by scarcities of feedstocks for the petrochemical-based synthetics. Because strong markets a capacity limitations were world-wide, exc US demand for synthetics could not met with imports, which declined in 197 Naturally, fibre markers scurried to e pand facilities and build new ones.

The Arab oil embargo and world-wi recession caused a downturn more seve than the industry's previous cyclical snap While shipments by US producers fell 8 per cent in 1974, they plunged by 37 p cent in the final two quarters. As dema fell and operating rates declined, produce were caught between weak prices an soaring costs—especially for petr chemicals.

Doubts about the industry's basic stre gth were dispelled in 1975. Noncellulos shipments by US manufacturers jumpe 66 per cent over four quarters and we up 26 per cent on the year, outpacing weak economy. Growth continued in 197 as shipments rose 7.6 per cent, to a ne high. Nonetheless, recovery was not stron enough to make up for increases in capa city, which rose 30 per cent from year-en 1973. After demand faltered with the ec nomic lull in mid-1976, prices slipped an plant operating rates averaged just 73 pe cent.

In 1977, US manufacturers of synthet

Synthetic fibres are grouped into cellulosics and noncellulosics. The former—rayon and acetate—are chemically regenerated celiulose, made mostly from wood and therefore not wholly synthetic. The latter include true synthetics made by polymerizing petrochemicals, as well as fibres made from other materials such as glass and metals. The major true synthetics are polyester, nylon and acrylics.

Lacking strength, rayon and acetate are most used in apparel and home furnishings for lustre and dye effects. Polyester, the leading synthetic, offers natural feel and lightweight comfort, plus tensile strength greatly valued in knitting and weaving. Nylon gives great strength and abrasion resistance desired, for example, in carpet and tyre cord. Acrylics offer colour and wool-like feel and bulk in products such as sweaters. Stronger and more versatile, the petrochemical-based fibres have grown to take 81 per cent of US synthetic consumption. Between 1960 and 1976, annual US output grew 24.3 per cent for polyester, 10.6 per cent for nylon, and 10.0 per cent for acrylics.

ores have done somewhat better. Their ipments of noncellulosics are about 12 r cent ahead of last year's pace. Output around 85 per cent of capacity and ices are holding up. In comparison, nthetic fibre markets in western Europe e severely depressed. With capacity uti-sation only about 70 per cent, major ompanies there have closed plants and id off workers to stem operating losses.

Although synthetic fibre sales are out-oing last year's performance, US manu-acturers still face difficulties. Demand is ff the historical trend and has not fully bsorbed capacity additions spawned in re-recession optimism. Prices have firmed ut need to make up for the huge escala-ion in costs. Margins must also cover eplcement of plant and equipment—now astly more expensive—as well as invest-ments required for pollution control and safety regulations. Meanwhile, a larger crop this season has lowered the price of cotton, making it more competitive with synthetics.

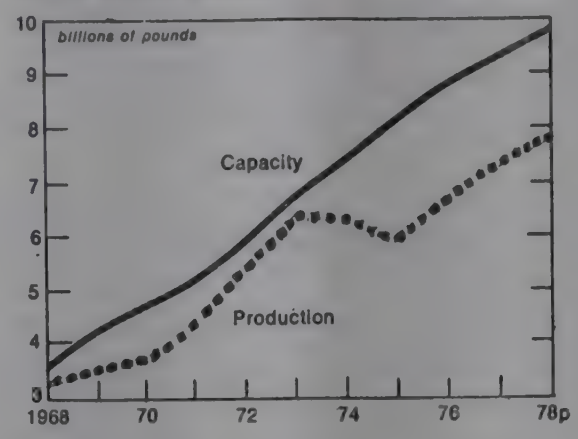
rising imports

Rising imports are also a cause for con-cern. Imports of both synthetic fibres and the fibre content in textile products declined in 1974 and 1975 along with total US demand for fibres. Last year, however, they jumped 22 per cent to gain almost 10 per cent of US textile mill consumption of synthetics. Available data suggest a rise of around nine per cent this year. Although imports have not regained their peak market share, they cause difficulty for sales and profitability of US manufacturers.

The future course of imports is to be shaped by the new Multi-Fibre Arrangement (MFA) negotiated under the General Ageergement on Tariffs and Trade. The past agreement, which expired at end-1977, required at least six per cent annual growth in bilaterally negotiated import ceilings. Renewal has been difficult because of differences between exporters and importers over the growth formula. The former are mostly developing countries which desire growing textile exports for their economies. The latter—notably European Economic Community members, but also US producers—have not wanted to agree to such a steep increase in imports while their own fibre and textile industries are in deep distress.

The new MFA extends its predecessor through 1982, but with allowances for less

Noncellulosic Production and Capacity in the United States



rapid growth in import ceilings. The United States has already negotiated two major bilateral agreements which effectively hold quota increases through 1982 to 4.8 per cent per year. These tighter constraints suggest that US producers should in the future receive a larger share of the domestic market in times of strong demand.

After rising about 11 per cent this year, US producer's shipments of non-cellulosics are expected to grow less in 1978—around seven per cent. The domestic economy is likely to slow down. Competition from cotton will stiffen while exports are expected to remain weak. Since gains in demand will about offset new capacity, operating rates will not improve much. Producers may have difficulty in lifting prices enough to eliminate the current cost squeeze. The outlook for weak economic growth in western Europe suggests that producers there will not see significant improvement in their soft markets.

Over the longer term, growth in US non-cellulosic production is expected to run about 8 to 10 per cent per year—well below past experience. Synthetics have largely penetrated natural-fibre markets, while US economic expansion is likely to be less rapid. In addition, fibre prices will have to reflect ever-more-costly oil and gas needed for petrochemical inputs. However, prospects for earnings over a period of time are favourable. Demand is expected to catch up with capacity, clearing the current excess and thus enabling most producers to regain adequate profit margins.

Eastern Economist 30 Years Ago

MAY 7, 1948

One of the serious difficulties in maintaining industrial peace springs from the rivalry of political parties. The decision to observe industrial truce has synchronised with marked political activity in the country. Though it is true that the achievement of freedom has made one party exceedingly powerful, there are others smaller ones which are capable of making trouble. There is still much scope for organisation among industrial workers and it is not just for nothing the organisers move in labour "bustees" and bring the workers to their side. Each political party in its enthusiasm to win the confidence of the workers promises the richest plum to them. Within certain limits, such activities are unavoidable so long as the country believes in democratic political rights. But unfortunately trade union politics in this country is showing alarming signs which bode ill for the welfare of the working class and of the country at large. When politicians keep the interests of their parties before the interests of the nation, co-operation for the common good is not forthcoming. And this is precisely what is happening in some sections of our working class organisation. Workers are being misguided and kept in a state of perpetual agitation. A successful strike is regarded as a means for achieving popularity. Personal prestige of labour leaders stands in the way of observing industrial truce. To stage a strike and be the idol of the workers' is more attractive and thrilling than to spread the tenets of industrial peace. It will be unrealistic to ignore the impact of polities on the strike situation. In dealing with their own employees, the government also have faced similar difficulties. Recently what has happened in Calcutta should be sufficient to convince anyone that fermentation of strikes has become the creed of some political leaders.

The chronic problems of inflation and poverty

War Against Inflation—The Story of the Falling Rupee: 1943-77; C. N. Vakil; The Macmillan Company of India Limited; Pp 338; Price Rs 25.

Behaviour of Prices in India: Santi K. Chakrabarti; The Macmillan Company of India Ltd; Pp 202; Price Rs 50.

Future is Manageable—Schumacher's Lectures: Compiled and Edited by M.M. Hoda; Impex India, New Delhi; Pp 96; Price Rs 30.

Rural Development in Action: Uma Kant Srivasta and P.S. George; Somaiya Publications Pvt. Ltd; Pp 250; Price Rs 45.

Communications: Madhoo Pavaskar and R.R. Kulkarni; Bombay Popular Prakashan; Pp 100; Price Rs 30.

Economics of Textile Trade and Industry in India; H. R. Aiyer; Vora & Co. Publishers Pvt. Ltd; Bombay; Pp 106; Price Rs 12.50.

Reviewed by **Academicus**

PROF C.N. VAKIL, the doyen of the Indian economists, has been waging a war against inflation single handed for some time and now with the able theoretical assistance of Dr P. R. Brahmananda. *War Against Inflation—The Story of the Falling Rupee, 1943-77* aims at recording the history of the author's valiant fight against inflation and his efforts to show how inflation has come in the way of economic progress of the country and removal of mass poverty and "how the maintenance of comparatively stable price level in the context of a priority of wage-goods in the planning process, will go a long way in solving our chronic problems of poverty and unemployment which still face us in spite of economic planning for over 25 years."

historical developments

The reader meets here various historical developments such as the state of continuous inflation since 1943, methods of financing the war operations of the allies, the author's publication of the book 'The Falling Rupee' in 1943, his famous controversy over the issue of inflation with Mr G.D. Birla, the 'Economists's Manifesto' signed by 20 leading economists of India, issue of anti-inflationary ordinance by the government in May 1943, Dr J.C. Kummarappa's arrest for writing articles about inflation, the author's opposition to the application of the Keynesian theory to deal with the anticipated post-war depression, the author's warnings against deficit financing as a method of financing of five year Plans, the hyper-inflation consequent on war with Pakistan over Bangladesh issue in 1971, the memorandum submitted by the author to the prime minister in February 1974 on 'Policy to Contain Inflation' on behalf of 150 academic economists, anti-inflationary measures announced and adopted by the government, halt in the price rise in 1975 and gradual emergence again of inflationary pressures since 1976. What this book tells in effect is not just the author's fight against inflation but the tortuous course through which the Indian economy has gone during the pre and post-independence period and the light in which the author saw and interpreted those developments.

BOOKS BRIEFLY

According to the author, the country has been living in a state of continuous inflation since 1942-43 which means th the value of the Indian rupee has bee continuously falling. The author ha repeatedly pointed out that "defic financing as a policy was not suited our country." But the government alway relied upon that policy throwing norm caution to the winds and the actual defic financing almost always exceeding th estimated budget deficits. The autho has rightly emphasised that inflation ha been continuously depriving the poor their share of the gains of developmen

The author found that whenever goverr ment adopted antiinflationary measure they were not thorough-going. Accordin to him, the Janata government's budget June 1977 contained additional inflation ary potential and therefore his war agains inflation must continue.

wage-goods model

The memorandum of April 197 advocated "a legal provision for a ceil ing on the growth of money supply a the main answer to the inflation, th other suggested remedy being planning i favour of 'Wage-Goods Model' (i.e. mor production of consumer goods and thei availability at lower prices, more employ ment, abondonment of deficit financing and greater balance between demand and supply of consumer goods in India). A the government's policy affects us all, i a democracy people must be educated in all these matters concerning inflation so that they can bring pressure on govern ment and make them evolve and imple ment suitable anti-inflationary policies The author has made an appeal to acade mic economists to rise to the occasion and play this role of educating the people in the nature of economic development.

Since the vast majority of people in India are poor and as there is absolutely no possibility of their incomes rising in proportion to the price rise, it follows that pursuit of inflationary policy and conti-

uance of inflation will only further mpoverish the masses. The first requirement of the successful fight against mass overty therefore is to stabilise prices. The uthor is perfectly right in insisting on his point But inflation is an extremely complex phenomenon and is the consequence of the entire strategy of planning and growth; and therefore to point to deficit financing or creation of additional money as the main or the only cause of inflation may not be correct. As shown by Dr S.K. Chakrabarti in his book which is also reviewed in these columns along with this book, it is not so much the quantity of money as the pattern of its investment that determines the general price level. If the additional money results in higher proportion of investment in the agricultural sector with higher agricultural production and cheaper agricultural produce, the general price level will decline; if on the other hand, greater proportion of the additional money is invested in the industrial sector, higher level of industrial production would tend to push up the general price level.

Prof C.N. Vakil will do well to examine this aspect emphasised by Dr S.K. Chakrabarti. This would also mean that putting a ceiling on the rate of increase of money supply limiting it to the rate of growth of real output in the economy would superficially appear to be the most effective way of controlling inflation; in effect such a policy may not succeed in attaining the objective because as Dr Chakrabarti has shown it is not so much the overall growth rate of the economy as its composition that determine the price level. Simultaneous reading of these two books by C.N. Vakil and S.K. Chakrabarti only shows how complex the phenomenon of inflation is and that trying to tackle it by waging war on any single front such as controlling quantity of money supply is more likely to prove futile, if not create more problems in the process.

COMPLEX PROCESS

Dr S.K. Chakrabarti has made an attempt in his book, *Behaviour of Prices in India*. "to identify the major forces which have shaped the course of prices in India during the period 1952 to 1966". This subject has received considerable attention from the Indian and foreign authors. Milton Friedman, Weintraub, K.N. Raj and a number of others have analysed this problem and N.V. Narasimham and R. Agarwala have provided econometric models to explain the price situation in India. The main argument of this study which deals with this oft-discussed subject is that "it is futile to try and explain the phenomenon of inflation in terms of a simple casual process...." The NCAER put forward a thesis in 1956 that the Indian inflation (and inflation in general) is the result of a multiplicity of factors operating in a complex manner—supply shortages, increasing money supply, large-scale government expenditure and rising wage costs, balance of payments deficits and so on. But according to the author, "no clear picture of the pattern of interaction among these variables emerges from the study; nor does it try to estimate numerically the magnitude of the influence of each on the price level." This is a unique approach which has not received attention by any author so far and therefore this study which is an abridged version of the author's PhD thesis done in the London School of Economics during 1968-70 deserves very careful attention both by acadamicians and policy-makers.

influencing factors

With the help of econometric models the author has given the idea of the several factors that have shaped the course of prices in India over the period 1952-66 as also the numerical measures of the strength and direction of the influence exerted by each factor. The author has found that per capita output of cereals has had a strong negative impact on all prices. The author has also shown that the increase in the output of non-food agricultural products (i.e. industrial raw materials like raw cotton, jute, oilseeds, tobacco etc) leads to a fall in the prices of these commodities and therefore in the prices of manufactures. On the other hand, increase in non-agricultural output (i.e. output of manufactured goods) has a positive impact on all prices.

In the author's model these effects originate in an increase in prices of cereals following an increase in non-agricultural real income. Non-agricultural real income can be regarded as a function primarily of industrial output and it is seen that an increase in industrial output will raise the prices of industrial raw materials and therefore of finished manufactures. The author has also shown that an increase in industrial output does not directly reduce prices of industrial products. The author's analysis thus shows that "increase in agricultural production tends to reduce prices while increase in industrial production, in general, tends to raise them." From this it follows that, "for the purpose of containing inflationary pressures, composition of the national product is more relevant than the rate of growth of the aggregate."

positive impact

The author's model also shows that an increase in the quantity of money "has a significant positive impact on all prices; a one per cent increase in per capita money balances will raise the general price level by 0.5 per cent in the same period and by 0.8 per cent in the long run." However the author has emphasised that "expansion of the money stock is likely to be associated for one reason or another, with some increase in real output."

The author has concluded that the total effect of an increase in stock of money on prices will depend on the composition of the increase in output as well as the extent of this increase.

The findings of the author are extremely revealing and contrary to some of the commonly accepted assumptions. The author's findings at least partly invalidate the generally held assumption that it is the government's indiscriminate increase in the quantity of money that has been solely responsible for the steep rise in the price level since 1956. If a significant part of the additional stock of money were invested in the agricultural sector and especially in the production of foodgrains, that would have resulted in lowering of the price level; if on the other hand, the emphasis were on huge investment out of the additional stock of money in the industrial sector, it would result in a rise in the price level. Thus it is not so much the quantity of money as the pattern of investment that determines the general price level. Also those who talk of increasing

e stock of money only in proportion to e rate of growth in real output in the conomy as a measure to stabilise price vel should note that such an increase may ot always result in attaining the objecve of price stability, because as the uthor has shown, it is not so much the ate of growth of the economy as the omposition of the increased output that vould have major influence on the price evel. The findings of the author, if found alid on further empirical testing, should ompel rethinking on the part of those who ay emphasis on the quantity of money as he major or the only determinant of the general price level.

CONCURRENT CRISES

Dr E.F. Schumacher is a western philosopher who has fully imbibed the wisdom of the east. He was a "powerful ambassador of the Eastern thought and philosophy in the Western world". Unfortunately the industrial civilization of the 20th century has made man subservient to machine; Schumercher, the philosopher as also a practical economist, made an attempt to reestablish the supremacy of man over machines and material goods. He delivered a few lectures under the auspices of the Gandhian Institute of Studies. The book *Future is Manageable – Schumacher's Lectures* contains those five lectures and 'A Dialogue with Schumacher' at his press conference in Delhi in 1973.

The first lecture is on 'Small is Beautiful', a subject which the author later expanded into a book with the same title. In this article the author has maintained that the affluence of a small part of the world seems to be engulfing the whole world into three concurrent crises which may be called: the crisis of resources, the crisis of ecology, and human crises of alienation or disorientation. Gandhiji stated more than 50 years ago that the modern civilization will destroy itself, a prediction which the Club of Rome made only recently. The author as a solution has recommended the Gandhian prescription. He wants that all economic reasoning starts from the genuine needs of the people; there should be revitalisation of agriculture and non-agricultural activities in rural areas; there should be avoidance of excessive concentration of population in large cities; there should be developed policies for the systematic utilisation of human labour which is the greatest asset.

The author has emphasised 'smallness rather than giantism', 'simplification rather than growing complexity', 'capital-saving rather than labour-saving' and 'non-violence rather than violence' interpreted in the broadest sense. He also has emphasised the development of an intermediate technology which would enable millions of people to put their labour to best productive use. Giantism has its own logic and compulsions as exhibited from the fact that the USA with 5.6 per cent of the world population has been consuming up to 40 per cent of world's raw material supplies. No wonder this has resulted in misery for vast masses in the third world countries. The world will have to evolve and accept a human scale wherein each individual can put his abilities to the best use and satisfy his creative faculties and instincts. The author has repeatedly emphasised that man should be the centre of economics and not goods as has happened in the western countries at present.

doomsday theorists

In 'A Critique of Doomsday Theorists', the author has examined the report called 'Limits to Growth' produced by the Club of Rome. The essence of that report is that infinite growth in a finite environment is not possible; and that if the present trends in the USA and western countries continue, it would mean 'death by growth'. The report of the Club of Rome suggested as a remedy that world's population and capital plant should be kept constant in size so that the birth-rate equals death-rate and capital investment rate equals the depreciation rate. Schumacher has protested that "purely quantitative concepts are good enough to raise a warning but are totally unsuitable for finding solutions." They are not operative concepts nor are they meaningful. Are two additional people to be procreated in a country like Zambia, only if there are two less in some other country like Japan? That way he finds even the concept of world population or world capital stock meaningless and a great intellectual error. Virtually the rich 15 per cent own and use most of the capital stock of the world, and resources used by an average American can sustain 50 Indians!

The author therefore disagrees with the prescriptions suggested by the Club of Rome. In its place he has insisted on the need for a qualitative diagnosis. He finds modern technology as employed in the western countries monstrously inefficient from the point of view of survival of mankind as it leads to exhaustion of fossil fuels which are exhaustible and to ecological crisis through pollution.

quantitative approach

The Club of Rome accepts nuclear energy as a breakthrough extending limits to growth. The author is in complete disagreement with this view. He writes: "...they are evidently so wedded to pure quantity that they cannot appreciate the awesome qualitative impact on what they are talking about. The quantitative approach, which almost totally neglects the essence of thinks and knows nothing but 'units' whether people, or capital, or areas cannot help us find solutions because our problems have arisen precisely from this approach. What is required is detailed, honest, painstaking work, to create a technology with a human face." He sincerely hopes that the third world countries and notably India should give lead to the world in this respect and not just follow the wrong path adopted by western countries. "There are many things without which life can be better than with them."

In his article on 'Social Responsibilities of Organisation', the author has raised very vital issues. He opines that it is an immense privilege to a person in a poor country to obtain higher education. It takes 30 persons to support one person in a college which means college education of one person over a period of 5 years costs society 150 man-years. Obviously, an educated person having got higher education should not think only of privileges for himself but should think of paying back at least to some extent the obligations of society which has afforded him an opportunity of higher education. The author has analysed the problems of

ize of production units, labour participa-ion in management and humanising work. While discussing these problems, the author has not looked at these things from purely academic point of view but has quoted from his personal experiences as in the case of the Scott Bader enter-prise in chemical industry.

In the article on 'Clean Air and Future Energy', the author has emphasised the great importance for the survival of human race of protection and conservation of the environment in which humanity lives. Economic growth has become a sort of an obsession and the term 'uneconomic' a word in the current vocabulary of con-demnation. Every success is measured in terms of monetary profit. But it is not appreciated that "what is good for Gene-ral Motors may not be good for the USA". It is this economism that has turned large American cities into seedbeds of riots and civil war. "Throughout the US the big cities are scarred by slums, hobbled by inadequate mass transportation, torn by racial strife and half-chocked by polluted air." Private opulence is accompanied by public squalor. The author has shown that in the USA in spite of tremendous econo-mic progress, "the life expectancy of a white male aged 45 years has increased by only 2.9 years since 1900, and that of 65-year-old man by only 1.2 years. All sorts of degenerative diseases have made their appearance on a large-scale and average per capita medical expenditure in the USA is about five dollars a week. All this is due to blind pursuit of material goods.

dangers to humanity

While one talks of peaceful uses of ato-mic energy, its dangers to humanity are hardly mentioned. Radiation particles are like bullets and in the case of Carbon-14 it takes nearly 6000 years for its radioactivity to decline to one-half of what it was before. And as yet no international agreement has been reached on disposal of nuclear waste which is mounting at a frighening rate. What matters is the "direction of scienti-fic research—it should be towards non-violence rather than violence; towards an harmonious cooperation with nature rather than warfare against nature; towards noiseless, low-energy, elegant and econo-mical solutions normally applied in nature rather than the noisy, high-energy, brutal, wasteful, and clumsy solutions of our present-day science."

Schumacher's article on the problem of unemployment in India is one of the best ever written and with cogency rarely found among the sophisticated theoreti-cians. There are, according to the author, four essentials if a man is to be in employ-ment. First, there must be motivation; second, there must be know-how; third, there must be some capital or assets to work with (since mere human hands can-not by themselves do much), and fourth, there must be someone to purchase what has been produced. As regards motiva-tion, if people do not want to better their lot, the matter ends there and nothing can be done. The problem of know-how has to do with the pattern of education. If education at the end of a long career leaves as man without relevant know-how it is pure waste.

emphasis on small industry

As regards capital, with 15 per cent of GNP saved, there would be in a country like India hardly Rs 1000 of capital per head. This necessarily leads to the emphasis on small-scale and village industries because in capital-intensive large-scale industries it takes more than Rs 70,000 to create one job. As regards who should purchase goods produced, it raises a vital problem as the vast poor have limited purchasing power. But the author has suggested extensive public works programme (to be financed, by tax-ing the rich, or if necessary even by defi-cit financing) which would create both incomes and demand for goods produced by the vast newly employed.

For readers who have been constantly reading conventional economic analysis written mostly by western authors or their Indian followers reading of this book would be like breathing fresh air. Of course, Gandhiji has said all these things more than 50 years ago. What Schuma-char has done is that he has expressed Gandhain ideas in modern economic jargon thus attracting the attention of even the western world. No wonder Schumacher calls Gandhiji the greatest economist of all times!

RURAL DEVELOPMENT

After independence, a number of pro-grammes and projects for rural develop-ment have been initiated by government and a number of non-official agencies. While there have been numerous evalua-tion reports on rural development pro-grammes initiated and implemented by government, there are very few studies analysing the experience of voluntary organisations involved in the work of rural development. The study *Rural Development in Action*, by Uma Kant Sri-vasta and P S. George makes an attempt to evaluate the rural development projects undertaken by a voluntary agency—the Bharatiya Agro-Industries Foundation (BAIF), Uruli Kanchan near Poona. The study covers four major projects namely, the lift irrigation programme, the cattle development project, the joint cooperative farming society, and the tractor-hiring unit. The authors have focussed their attention on three basic questions: (a) What exactly has been achieved at Uruli Kanchan? (b) Can it be repeated? Naturally the authors have tried to draw some general conclu-sions regarding planning and implemen-tation of rural development programme on the basis the experience of BAIF.

The Bharatiya-Agro-Industries Founda-tion has made some pioneering efforts in the sphere of rural development. This study while making some observations on viabi-lity of various activities undertaken by the BAIF also analyses strategy adopted for various programmes with a view to determining the pre-conditions for the success of integrated rural development.

The activities at Uruli Kanchan were initiated and guided by Mr Manibhai Desai, an inspired disciple of Gandhiji. The major activity undertaken to increase the income of the farmers has been the provision of facilities for full utilisation of available water resource and education of farmers to adopt suitable farming technology. Also, arrangements have been made for timely supply of various inputs like quality seeds, fertilisers and market facilities. Facilities for hiring tractors are

so made available to those who are not a position to purchase such heavy gricultural implements. To supplement rmers' income from agriculture, the AIF has encouraged establishment and nning of allied activities. For exam-le, cattle development activities were egun at various centres; a joint farming ociety came to be established to help xtension activities; various infrastructure acilities for development are being pro-ided to improve the quality of life in he rural area.

The BAIF started lift irrigation pro-gramme in 1969. By January 1974, 5 schemes were in operation, 12 under con-struction and six in proposal stage. The authors decided to analyse effects of lift rrigation scheme by selecting two operat-ing schemes which had been running for three to four years and two bench-mark lifts which were just about to start func-tioning. It needs to be emphasised that as loans for lift schemes by the govern-ment of Maharashtra proved insufficient, the entire scheme came to be financed by the Bank of India.

Whatever the criteria applied—pay-back period, net present value, internal rate of return, and benefit-cost-ratio—it was found that all four criteria were satis-fied by the lift irrigation projects under-taken for study. But it should be noted that even if a project becomes non-viable on purely financial ground, it might become socially acceptable if its overall net benefits to farmers are taken into account.

diversified cropping

It was found that farmers under the operating lifts had a more diversified cropping pattern than farmers under bench-mark lifts. Also, small farmers under the operating lifts had the highest cropping intensity. With availability of water, the idle capacity of bullock-labour became optimally utilised on farms under operating lifts. Also, it was found that while the farmers' under the bench-mark lifts used an almost negligible amount of biological inputs, the farmers under ope-rating lifts incurred the largest proportion of their total costs on these inputs. Quite obviously, net farm income per acre was found to be much higher in the case of farms under operating lifts compared to farms under bench-mark lifts. This was found true for all farm sizes. The aver-age net farm income per acre of farms under operating lifts was nine times that of farms under bench-mark lifts. All the farm size groups under operating lifts experienced an increase in farm income and family labour income and a decline in non-farm income over farms under bench-mark lifts. On an average farmers under operating lifts were found above the poverty line and those under bench-mark lifts below the poverty line.

The cattle development programme of the BAIF aimed at increasing milk pro-duction of dairy cattle through effective breeding, feeding and management prac-tices. Cross-breeding of exotic breeds with indigenous cattle, establishment of veterinary facilities, production of good quality fodder and extension activities were all taken up. It was found that net return (about Rs 2,500) from a cross-bred cow during an intercalving period was about double the return from a purely local cow. The BAIF was running 25 centres in 1974 and was able to recover its costs from farmers.

cooperative farming

The BAIF organised a joint cooperative farming society in 1961 to improve income of participant households as well as to serve as a seed multiplication farm and demonstration centre for neighbouring farms. The society could pay back all borrowed funds and the participating far-mers could earn higher profit per acre than farmers outside the society which also helped to strengthen the society's efforts to spread high-yielding varieties of seeds and its extension work for improved crop rotation practices. The demonstra-tion effect also showed the immense pos-sibilities of "raising incomes on even the worst possible land of the area."

The experience of the tractor-hiring unit (with 15 tractors) showed that the investment was justified on the basis of any one of the four criteria viz. pay-back period, net present value, internal rate of return, and benefit-cost ratio. It was also found that (a) tractor farms used a larger amount of inputs for crop production (b) the availability of tractors did not decrease hired labour utilisation on the farms; and (c) net farm income per acre increased only in the case of farmers with less than five acres.

lessons drawn

The most important part of the book is the lessons drawn by the authors from their analysis of various programmes by a non-official organisation like, the BAIF. It is pointed out that the success of such projects depends to a great extent on the proper identification of activities suitable for the area. The second lesson is that acti-vities included in the development plan should be complementary in nature to make a proper impact. Third, plan implementation will be effective if both beneficiaries and participants are involved in the planning process. Fourth, the likelihood of success of plans would be increased if activities are taken up in a phased manner. Fifth, persons in the organisation involved in implementing the projects should have a sense of belonging to the organisation. Sixth, while the type of organisation should not be a major consideration, it would however be better to avoid multiplicity of organisa-tions. And last, voluntary organisations should not revolve their activities around a single person however dedicated be-cause when this person is no more, the organisation for all practical purposes ceases to operate or be effective.

This study by Uma Kant Srivasta and P.S. George is of great relevance to the solution of the basic problem of India, namely increasing mass poverty in rural areas and growing inequalities. The study shows, negatively, why governmental organisations even with enormous funds at their disposal can at the most register only limited success in solving the above pro-blems and on the positive side it shows that the main effort will have to come from non-governmental and voluntary organisa-tions in which people of the area must be made to get fully involved. It is an extremely valuable lesson which has been neglected so far. It is hoped that here-after planners and policy-makers will learn worthwhile lessons from experiments

such as those of non-governmental organisations like the BAIF.

GIGANTIC PROBLEM

Communication has a vital role to play in building up both the human capital and economy of the country. Communication includes all methods of disseminating information, knowledge, thoughts, attitudes and beliefs. In their perspective study, *Communication*, the authors have made an attempt "to visualise the quantitative and qualitative requirements in respect of various means of communication at the beginning of the next century when India's population is expected to be around one thousand million, thus adding 'Second India' to the existing one." Quite naturally the projections are rather indicative than precise; they are intended more to indicate the magnitude of the task ahead so that planning and its implementation may proceed from now onwards. Among the various alternatives open before the authors, they have based their projections on the assumption of five per cent annual growth rate of the economy. Since the authors are going to analyse different media of communication, naturally the background must be kept in view—India with about 600 million people, 560,000 villages, 21 states, 14 major languages, nearly 100 different dialects and very highly skewed distribution of income. According to the authors, their projections indicate the minimum requirements.

The post office symbolised by the 'Red Letter Box' has remained the most important and effective means of communication in spite of revolutionary developments in other fields of communication. The authors have calculated that "to meet postal needs adequately in the year 2000, a total of 3,60,800 post offices—3,33,500 rural and 27,800 urban—would be needed." By either area or population criteria, more than three lakh post offices would thus be needed in 2000. Of these 90 per cent would be in rural areas. This would call for three-fold increase in rural post offices from the present level. Urban post offices would also increase three-fold. This anticipated three-fold increase in the number of post offices, according to the authors, would be adequate to meet the projected five-fold growth in postal traffic. According to them, the fifth Plan proposed to establish 63,400 post offices of which 8,400 would be in urban areas and 55,000 in rural areas. At this rate the authors anticipate no difficulty in establishing two lakh more post offices by the year 2000.

At present telecommunication has become essential for accelerating economic development of a region. It is also cheaper than telephone. The authors, on the basis of the rate of growth in the telex services at present, anticipate that the telex system in the year 2000 would consist of 200 telex exchanges with about 60,000 line capacity. The authors also predict that by 2000 "all public telegraph offices in the country would be equipped with teleprinters which would then number about 25,000.

index of development

The growth of the telephone system is often considered to be an index of economic development of a country. It is essential for growth of commerce and industry. The authors' projections indicate that "the total number of telephones will be around 170 lakhs in 2000." The projected demand of 170 lakh lines in 2000 would be met if the rate of growth in the supply of telephones is maintained around the present rate of around 10 per cent per annum. As regards overseas communication services, the authors, on the basis of past experience, have assumed that such traffic will grow at an annual average rate of two per cent per annum. They maintain that by incorporating the latest technology, it may be reasonably assumed that "Indian international communications would improve in quality and meet the quantitative requirements adequately in the year 2000."

With rapid economic development, population explosion and growth in literacy, press is bound to grow in importance. In 1971 India had a well-established press with 12,218 registered newspapers published in 60 different languages (in addition to 2,773 publications like market reports, college magazines, and so on).

According to the authors' projections the number of newspapers in India by 2000 would be around 27,000 of which daily newspapers would be 1,800; estimated circulation of daily newspapers in 2000 would be 48 per 1000 persons, and that of all newspapers 127 per 1000 inhabitants. If the current world shortage of newsprint persists, it may act as a drag on newspaper industry in India; small and medium size newspapers will gradually predominate; and yet the circulation of newspapers in India in 2000 would be much less per 1000 inhabitants compared to any other developed and developing countries.

In a country like India where printed words cannot go very far because of widespread illiteracy, radio can be a significant medium of mass communication. In terms of reach and impact, it is more powerful than press. It also helps to reduce rural isolation. In 1974, there was 69 broadcasting stations and about 4,00,000 broadcasting hours. On the basis of current and future increase, the authors have predicted that "the total number of radio sets in 2000 would be around 125 million, the use of radio sets increasing at a compound rate of 8.4 per cent per annum till 2000." The Indian electronic industry would not only be in a position to meet all the domestic demand but would also be in a position to meet increasing export commitments. The number of broadcasting stations would be around 150 as compared with 69 in 1974. (By the way, Japan had 769 broadcasting stations in 1970!)

combined advantages

Television combines the advantages of both video and audio media providing both education and entertainment. By 2000, India would have 25 mother stations and about 150 relay stations beaming programmes in all 13 major languages and a few major dialects. The authors have projected that all households in urban areas and 50 per cent of those in rural areas with an annual disposable income of Rs 15,000 and above will be owning television sets. Their total number would be about 33.25 lakhs, which would work out at one television set per 60 households in the country. The electronics industry would be in a position to meet the entire requirements indigenously.

The cinema as popular entertainment is dying in the west because of rapid spread of television. Similar development would take place in India after some time. And yet due to poverty in the country cinema

may continue to play a predominant role even in the year 2000. In 1975 the number of cinema houses was 9,607 with a weekly attendance of 70 million. The 'Second India' would need 30,000 cinema houses of 600 seats each with annual cinema attendance swelling to at least 12,000-13,000 million by 2000.

Different means of communication have to play a vital role in developing countries and the authors have done well to bring to notice the requirements of India in this field during the next quarter century. And yet one is disappointed to know that the communication in 'Second India' in 2000 with all this progress would mean no more than 18 telephones, 48 copies of daily newspapers, 132 radio sets, 4.5 TV sets and 20 cinema seats per every 1,000 inhabitants. All these figures would be much below even the present standards prescribed by the UNESCO.

TEXTILES IN DOLDRUMS

Textile industry has always been occupying a prominent place in the Indian economy. Today, the textile industry has emerged as a multi-fibre industry using cotton, cellulosic and synthetic fibres. The processes of dyeing and printing have advanced producing bright colourful textiles to satisfy consumer demand. The Indian textile industry has also been providing employment in different sectors such as spinning, weaving and knitting. It has been helping the development of ancillary industries, such as dyes and chemicals, textile machinery and spare parts. The distribution system involving thousands of wholesale and retail agencies has been providing employment and income-earning opportunities to a vast number of people in thousands of towns and villages. The economic impact of the textile industry on the national economy has been very great. H.R. Aiyer has made an attempt in his small book *Economics of Textile Trade and Industry in India* to deal with some of these aspects of the textile industry in the country.

The author has covered the well-known ground of the history of the development of cotton textile industry, as also of man-made fabric, jute, woollen and silk. According to the author, on the basis of figures available of contribution to national economy, cotton textile occupies the first place followed by man-made fabrics, wool and silk.

Analysing the sickness of more than 100 cotton textile mills presently run by the National Textile Corporation, the author has attributed their sickness to such factors as frequent fluctuations in prices of raw materials, inability to raise working capital internally, diversion of available funds for other purposes, employing unethical distribution system, failure to build and use properly depreciation funds, deterioration in the quality of products by using sub-standard raw materials, treating industry as an investment proposition, and unsatisfactory labour relations.

The author has shown how handloom industry providing employment to about 70 lakh persons and accounting for about one-third of total textile production occupies an important place in the national economy. If handlooms are to prosper, the author wants that they should be provided better financial facilities, better marketing facilities internally and for export which has immense potentialitie and better technical facilities for in proving quality for which there is gre scope.

For some time now the textile indust appears to be living from crisis to cris and more and more textile units are r porting sick. It is obvious that t National Textile Corporation offers r permanent solution to the problem. Wh is ailing this premier industry of India What are the steps needed to set it alo right path so that it continues with i traditional vitality? With an average co sumption of only about 15 yards of clot there is tremendous scope for the texti industry. But unfortunately for the sy tematic development of this industr government appears to have no long ter policy or programme as the indust happens to be in the private sector. It strange that these vital problems recei scant attention by the author in a boo published in 1977. The analysis is exte sively sketchy and the treatment supe ficial. One would not be any the le wiser about Indian textile industry by n reading this book.

Regional imbalances

The Role of Fiscal Incentives in Reducing Regional Imbalances—Some Comparisons
Published by the Birla Institute of Scientific Research, New Delhi; Price Rs 15.

Reviewed by **V. B.**

This monograph of 51 pages tidily lists the fiscal incentives framed by governments in various countries for reducing regional imbalances through the dispersal of industries for the benefit of backward areas. The countries surveyed are the UK, France, Belgium, Italy, Spain, Brazil, Chile and Argentina. The incentive schemes operating in our own country are discussed against the background of this international survey and an attempt is made to draw lessons from these comparisons. The point is made that even industrially advanced countries have gone far in offering encouragement and inducement to businessmen to set up industries in backward areas. It is however the performance of Brazil, which has now established quite a reputation among developing countries for its go-ahead economic progress, that has received emphasis as a stimulating example for ou own government.

The publication, *The Role of Fisca Incentives in Reducing Regional Imbalan ces—Some Comparisons*, is timely in th context of the dialogue which is now goin on between the government and the busi ness community in this country on the rol which the latter could play in achievin the national objective of rural develop ment through decentralized industrialisa tion. There is a feeling in official circle that industrialists are given to asking fo tax concessions merely as a normal pro cess and this wrong impression may per haps be corrected by this factual study o countries, differently situated, having i practice found it necessary to assign t fiscal incentives a large role in stimulatin industrial growth in backward areas. Ne

elhi itself has lent recognition to this inciple and has also worked out its own ckage of concessions for attracting in-stries to backward areas. The mono-graph acknowledges this contribution and suggests how it could be strengthened and amplified so that the objective could be sooner and more assuredly fulfilled.

Practitioners of dismal science

he Economists : Leonard Silk; Published by Prentice-Hall of India Private Ltd, New Delhi-110001; Pp 294; Price Rs 25.

Reviewed by **S. P. Chopra**

This is a reprint of Mr Leonard Silk's ook on five leading American economists f today, namely, Paul Anthony Samuel-on, Milton Friedman, John Kenneth Galbraith, Wassily Leontief and Kenneth E. Boulding, which was first published lmost two years ago by Basic Books, nc. USA.

The chief merit of the book, *The Economists* is that it is written in an nteresting way, bringing out both the trong as well as the weak points of he learned practitioners of the dismal science. And it also highlights the ex-ent of influence that all five of them ex-ercised on current economic education as well as controversies.

Samuelson, for instance, is well-known throughout the world through his *Economics*. Says Silk : "Economists attending international conferences in the post-war years often found the one thing they had in common was that they had learned their economics from Samuelson. His book has been published in French, German, Italian, Spanish, Korean, Japanese, Chinese, Hungarian, Polish, and other languages; it has been pirated—both outright and, less obviously, in the textbooks of others".

Samuelson is accused of popularising Keynes, and many conservatives hold him responsible for causing much of the continuous post-war inflation. He is not fond of forecasting but believes in guessing. However, the guess should have an empirical base. As an illustration to spotlight this, Mr Silk has quoted the following from Samuelson's writings : "Arthur Burns' finest hour was the 1955 recovery. He forecast higher than all his staff. I asked one of his staff 'How come ?" and he said, "well, Burns has reasons we will never know". But Samuelson thinks that Burns' real reason was that the General Motors cars of that period had met a resonant response : "You could tell it from the cigarette smoke in the salesrooms early in the autumn of '54."

Milton Friedman became famous as a monetarist after the publication of his scholarly book *A Monetary History of the United States*, which was written in collaboration with Anna J. Schwartz. But his critics pointed out that his theory did not fit the Great Depression. While it was Friedman's contention that the Great Depression was caused by the reduction in money supply by the Federal Reserve, the facts did not support this thesis because from 1929 to 1932, the money supply fell by less than three per cent but prices dropped by more than 30 per cent.

Friedman is opposed to controls. In an article in the *New York Times* in 1971, he said: "The controls are deeply and inherently immoral. By substituting the rule of men for the rule of law and for voluntary cooperation in the market place, the controls threaten the very foundations of a free society".

"Is Galbraith really an economist?" This was the question asked at an annual meeting of the American Economic Association. Pat came the answer: "He happens to be the only economist". But Galbraith has alternated between government service, journalism and academia. Galbraith is a supporter of higher education, aesthetic values, social and economic justice, and peaceful relations with communists. The best way to answer the Soviet challenge, in his view, is by the removal of ugliness and inequity in American society. The books which made him a full-fledged pundit on economics are (i) *The Affluent Society*, (ii) *The New Industrial States*, and (iii) *Economics and the Public Purpose*.

Wissily Leontief, the father of input-output table, was born in Russia before the revolution. But the best part of his life has been spent in the USA. "Democratic economic planning" in the interest of a healther society is one of his dreams. But his passion and goal, according to Silk, is the rational use of economic planning for human ends". But despite his commitment to planning he is not a Marxist. In his view, Marx was wrong in his prophecy of increasing impoverishment of the working class.

Kenneth E. Boulding believes that religion is a must for any social science including economics. He is a pacifist and a believer in non-violence. He has brought God and love into debates on issues which are deemed to belong to the domain of economics.

Boulding is frank enough to state that Keynes's *General Theory* did not make any sense to him when it was first published.

The five economists whose contributions to the science (or is it an art?) of economics have been discussed in this book, are made to look like pygmies and not giants because of their failings. The best dig at them is contained in the following quotation from Barbara Bergmann: "The economists' advice is something like patent medicine—people

Announcement

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know it is largely manufactured by quacks and that a good percentage of the time it won't work, but they continue to buy the brand whose flour they like."

Books Received

Future is Manageable : M. M. Hoda; Impex India, 2/18 Ansari Road, Daryaganj, New Delhi-2; Pp 96; Price Rs 30.

War Against Inflation : C. N. Vakil; Macmillan Company of India Ltd., 4, Community Centre, Naraina Industrial Area-Phase I, New Delhi-110 028; Pp 338; Price Rs 25.

Personal Investment Planning : N. J. Yasaswy; Management Education Service, Hyderabad-500 004; Pp 300; Price Rs 40.

Managerial Development and Appraisal: S.K. Chakraborty; The Macmillan Co. of India Ltd., New Delhi; Pp 380; Price Rs 65.

Banking and Working Capital Finance: L.C. Gupta; Macmillan Co. of India Ltd., New Delhl; Pp 313; Price Rs 38.

A Macroeconomic Model of the Indian Economy : P.K. Pani; Macmillan Co. of India Ltd., New Delhi; Pp 293; Price Rs 50.

Practical Problems on Practice & Law of Banking in India : Satya Narayana Patodiya; Bankers' Books Publishing House; 88, Indra Colony, Bani Park, Jaipur-302 006; Pp 304; Price Rs 30.

Cybernetic Analysis of Indian Societal System : P.N. Rastogi; Centre for Policy Research, New Delhi-57; Pp 136; Price Rs 40.

Readings in Nepalese Economy: N. C. Joshi; Chugh Publications, 2, Strachey Road, Allahabad; Pp 177; Price Rs 45.

Towards Total Revolution: Jayaprakash Narayan; Popular Prakashan, Bombay; Pp 266 (Vol I), 306 (Vol II), 186 (Vol III), 226 (Vol IV); Price Rs 250 per set for 4 volumes.

Promotional Aspects of Monetary Management in India : Vinay Kumar Varma; Somaiya Publications Pvt. Ltd, Bombay; Pp 238; Price Rs 55.

Introduction to Labour Laws in India: B.R. Seth; National Productivity Council, Productivity House, Lodi Road, New Delhi-110003; Pp 94; Price Rs 15.

Department of Atomic Energy

Directorate of Purchase & Stores

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davp-645 (32)/78.

COROMANDEL FERTILISERS LIMITED

The following is the text of the speech by Dr. Bharat Ram, Chairman of Coromandel Fertilisers Ltd., at the 16th Annual General Meeting held on April 28, 1978.

Dr. Bharat Ram

Ladies and Gentlemen:

I have much pleasure in welcoming you to this 16th Annual General Meeting of the Company. You have had an opportunity to study the printed annual report of the Company containing the Directors' Report and audited statement of accounts for the year 1977. You will observe that the results have been reasonably stable in spite of the problems which the Plant had to face.

Almost a year ago, I had mentioned that the Government, composed of able and dedicated men, committed to the welfare of the common man, had raised hopes of an improved economic climate and consequent economic well-being of the nation. While leadership at the top undoubtedly has called for greater economic discipline and restraint, blended with freedom of opportunity and action, we find this inspiration absent all round. The number of mandays lost, disturbance in different parts of the country, a general indifference to the ways of law and order acts adversely on economic activity, and is not in tune with the high ideals set before the nation. I hope this mood will soon disappear and everyone in our society will recognise the virtue of discipline.

You have recently seen important statements from the Government giving concrete expression to its economic philosophy. They are documents reflecting high purpose, serious thinking. The message is clear, our concern is the rural environment; our priority is agriculture and employment. The new ethos prescribes this; the Budget seeks to achieve the result by concentrating on integrated development calculated to provide gainful employment, and minimum needs-based policies for uplift of the masses.

We have looked for but not found in the Budget any evidence that it will give a fillip to investment. In fact, there are serious misgivings whether the Budget proposals will improve the investment climate. Only when a proper environment is created for an investment-led growth, will the increased needs of the people be met through production of mass-consumption goods.

There has been considerable concern over deficit financing. Many have feared that this may push us into the turbulent current of cost-push inflation. But on reflection, one is persuaded to believe that the proposed deficit financing in the current state of the economy need not be harmful. Government's intention to spend heavily on irrigation, rural linkroads, command areas development is welcome and will lead to more rural incomes, more employment. No one will dispute that the increased and improved productivity of agriculture, which means farmers, has multiplier effects when related to employment and release of purchasing power. But funds deployed must be effectively and productively used in development activities, so it can lead to the revival of demand for the products of industry and become harbinger of growth. But this takes time. In fact, intelligently worked out with close monitoring, deficit financing has been used successfully to trigger off development. For this, we hope, Government will act with measured confidence and ensure that the rural development programmes become really meaningful and that the time and money spent in this area will not be dissipated as has been the experience in previous years. The year started on a confident, promising note; with food grain stocks now standing around 17 million tonnes. Kharif production has been satisfactory, and yielded food grains in the region of 70 to 72 million tonnes. The Rabi wheat harvest is estimated to yield around 30 million tonnes and we have an additional 10 million tonnes of other crops. In this confident mood of our agricultural capability, a foreign exchange reserve of considerable magnitude, a firm resolve on the part of the Government to procure 6 million tonnes of foodgrains from the Rabi crop to counter any disturbing evidence of price rise, a will to import edible oils, a promising output of sugar expected to be the highest on record, the Government will have no difficulty in holding the price line of essentials in the months to come.

The impressive record of the release of new strains, control of disease, greater acreage under High Yielding Varieties, a steady increase in fertiliser usage reflects in great measure the anonymous and silent work of our scientists in ICAR and extension workers in transferring new technology to the farm level.

But there are gaps in our agriculture; in spite of the revolution in agricultural technology, spectacular advances in wheat and rice, pulses have been neglected, and need attention. If I may say so, the break-through in pulses will mean a revolution, which is eagerly awaited by the common man, whose need for protein is urgent but ability to get it limited because of its high cost. It is to this problem area we hope our scientists will direct their dynamism and find answers.

It has been stated by many that the recent increases in excise duties will not affect the price level. But there is evidence that its impact on price levels has already been felt; in particular, we hope that the repercussions on the cost of energy in the power sector will be kept in mind and I hope Government will be persuaded to do some re-thinking in the matter of excise duties. It would be in my opinion fallacious to believe that mere stepping up of expenditure in the rural areas will automatically lead to an increase in aggregate demand for products. There is a timelag and when the demand does get generated, there will be no matching output of goods to satisfy it; rather it would be better to stimulate production by providing tax and excise reliefs leading to an increased demand of goods.

Employment, gainful employment, will continue to remain at the nerve centre of our concern in the development of our country; here, we must guard ourselves from running into a situation where the imperatives of the right development strategy are sacrificed to the claims of ideology. We must at once steer clear from the extremes of sheer large investments in the capital investment sectors as against the vast sums of money proposed to be pumped into the large rural sector seeking to maximise employment opportunities, but with its attendant risks that it may be at the cost of sacrificing efficiency and productivity. I would, therefore, urge that we should resist the temptation to deploy resources heavily in the diffused small sector without giving due importance to social costs and benefits and the principles of productivity.

A measure which has caused considerable anxiety to the manufacturers of complex fertilisers is the possible extension of a formula devised by the Fertiliser Prices Committee in the pricing of Urea to complex fertilisers also. Though we appreciate Government's anxiety to better the fortunes of the vast rural millions and give them inputs at reasonable prices, it must be remembered that all inputs, particularly in agriculture, cannot always be made available at concessional rates. Resources, whenever used in the process of development should be profitable and yield returns which can be used for financing further investment. It is in this context that the policy towards the pricing of such inputs must take into account the larger interests of the community. I am tempted to quote from the Planning Commission, an unexceptionable and prudent statement which says "pricing policies in the past have often run counter to growth priorities in the private sector. In the interest of containing inflation, prices of products have in the past been pegged to such unremunerative level that all new investment has come to a halt. Funds have been diverted to low priority areas." This problem will be accentuated in many of the critical areas which cater to the essential consumer items particularly in areas where capital costs for new plants have become high and have risen sharply during the past few years. The manufacture of complex fertiliser is expensive and problem-oriented. The investment outlays are large and renewals equally expensive. The problem of renewal, I would say, replacement, assumes critical importance where old plants are concerned. And we must accept the logic that the farmer must share in the costs of development We hope some of the uncertainties and anxieties which assail manufacturers will prove to be unfounded.

Your management has been badly bruised by the unpredictable power cuts, which have not ceased and have eroded into our production programmes. We are, therefore, going ahead with setting up of our own 5-MW power plant as a standby unit. Orders have been placed on the manufacturers of equipment and a close watch is kept on its progress. The Ammonia Recovery and the related Argon programme is receiving a close scrutiny from technical experts. Keeping the claims of development in mind, your management is examining in close collaboration with a very distinguished and well-known group of consultants on new projects.

Since I addressed you last in February, we have suffered a blow in the death of Mr. H.V.R. Iengar, the first Chairman of your Company. A man of immense energy and ideas, he brought lustre to many offices he held with distinction. He was the steward of the Company during its early formative years when we had many problems to face. In finding solutions to these problems – which once appeared intractable and insoluble-he brought into play his wide experience as administrator, his knowledge of finance and his sense of what was appropriate and relevant. In times of crisis, he was a source of immense confidence to us and more than all these, he lent a very special human touch in his relations with everyone in the Company. We share the loss of his passing away greatly.

I wish to add once again the Management's great appreciation for the understanding and co-operation we received from the promoter companies.

I would like to express the exceptional strength this Company has in having co-operation from all our employees at the Plant and other offices. Needless to say, the Company appreciates this continuing support and co-operation from them.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Modi Rubber Limited

Speech delivered by Shri K. N. Modi, Chairman and Managing Director, at the 7th Annual General Meeting of Modi Rubber Ltd., held at Modinagar on Saturday, 29th April, 1978.

Shri K. N. Modi

Dear Shareholders,

I have great pleasure in welcoming you all to the 7th Annual General Meeting of your Company. The Directors' Report, Balance Sheet and Profit & Loss Account for the year ended 31st October, 1977 have been in your hands for some time now and with your permission I shall take them as read.

Performance:

The year 1977 was a difficult one for the tyre industry; but in spite of the difficult position on the demand front, I am glad to report that the production of your Company increased from 4.44 lakhs tyres in the preceding year to 5.99 lakhs tyres during the year under report. This has been possible by increase in efficiency and working round the clock throughout the year. Your Company could produce to the optimum level and sell its entire production because the quality of your Company's products has been accepted as one of the best available in the market. This is due to quality consciousness at all levels of production. In spite of maximum production and sales there would not have been any profit but for the timely help of Government by way of excise rebate. The Company could earn a net profit of Rs 247 lakhs on a turnover of Rs 70.70 crores. Still there is an accumulated heavy carry forward loss of Rs 740 lakhs. In order to enable the Company to wipe off outstanding losses and pay dividend to shareholders, it is necessary that the excise rebate should be continued beyond March, 1979 which I will deal a little later.

Quality Audit:

Your Company attaches the greatest importance to maintaining highest levels of quality. In order to retain this high standard of quality, there is a Quality Audit Department, which is independent of the production and technical department of the Company. This department gives its unbiased opinion whether the specifications laid down at every stage of production are being followed or not. It makes numerous checks on the quality right from the raw material stage to the finished goods and gives its feed-back to the various production departments so that immediate corrective action can be taken by the concerned departments.

Marketing Organisation:

The Company has established a Marketing Organisation with wide network of depots and dealers. The Company's sales organisation is in constant touch with the consumers, dealers, original equipment manufacturers, State transport undertakings and other Government departments. The consumer oriented marketing policies and constant contact with them has paid rich dividend to the Company.

Services to Consumers:

The Company has established an effective after-sales-service department to look after what consumer wants so that new varieties may be introduced according to their choice. The Company has a full-fledged Service Engineering Department with field service personnel posted in different parts of the country. They render valuable service to the users of Modi-Continental tyres, monitor their complaints and know their requirements. They issue reports and these quality complaints are discussed in periodical meetings where technical personnel meet the field sales staff and get first hand information about the performance of the tyres. In case of complaints, if any, the same are promptly noted and correct action is taken.

Research & Development:

Management of your Company is fully conscious of the need for research and development so that foreign technology may be adapted to Indian conditions and tyres which can give better performance under varying road and climatic conditions may be manufactured. We, therefore, have established a laboratory well-equipped with the most modern and sophisticated testing instruments and machines. The department has been able to develop various new sizes and types of tyres with the assistance of our technical collaborators. The R & D Department could introduce various measures of waste control and import substitution. Additional instruments and equipment are being ordered to augment the laboratory facilities.

Engineering and Maintenance:

With the objective of import substitution of spare parts, plant and equipment and proper maintenance a separate cell has been established for fabricating of different imported items and assuring proper maintenance. The Department has been successful in effecting considerable saving of foreign exchange. It has also introduced several changes in operating parameters of various items of plant and machinery to increase productivity and to achieve flexibility of product mix. Yours is one of the few plants which operates on all the days of the year. This further increases the importance of proper preventive maintenance of the plant.

Social Amenities :

The Management of your Company is fully conscious of its social responsibilities to the workers and staff as well as to the residents of the surrounding areas.

The Company has built 700 residential houses for the workers at Modipuram out of a total strength of 1200 workers. There are plans for building more houses so that in no distant future all the workers may be provided with residenti

uses near the factory. The ompany also provides sports ıd recreational facilities.

Your Company is also run- ng a dispensary and a pri- ıary school for the benefit f not only the workers of ıe Company, but also for the opulation of the surrounding reas. A Junior High School ill start functioning as soon s arrangements are finalis- d. It is planned to provide acilities for higher education, ıedical care and vocational raining for the benefit of work- rs and surrounding populations or which the Company has equested the Government of J.P. to allocate additional and, and it is hoped that the State Government would ac- ede to this request which is or a noble cause.

Involvement of Workers :

The involvement of workers s one of the factors which has contributed to improving pro- ductivity and quality. This is being achieved by inviting sug- gestions from the workers and rewarding them for giving new ideas. This scheme has evok- ed good response.

Rural Development:

In order to remove poverty and unemployment it is very necessary that there should be faster development of the rural areas and industry must contribute its mite. In order to help the Government to achieve the goal of rural deve- lopment Modi Enterprises have established a Rural Develop- ment Cell in Gujarmal Modi Science Foundation to which your Company is also contri- buting.

Employment and Growth:

The most serious and diffi- cult problem facing the count- ry is that the number of un- employed and those below the poverty line is increasing year after year. Unemployment and poverty can be removed only if the growth rate in all sectors is substantially stepped up. Fortunately, there are very favourable conditions for achieving higher growth. We are having an all time record of foreign exchange reserves which is continuously increas- ing at the rate of about Rs 150 crores per month. The food- grains reserves are very satis- factory. These two favour- able factors should be utilised fully for ensuring higher growth and employment. We should not miss the bus and must adopt policies which may ensure maximum growth. The recent steps for allowing more free imports of industry inputs for and liberalisation in the industrial licensing policy are steps in the right direction. However, to achieve the goal of full employment within the next decade we have to adopt many more aggressive policies.

Revive Capital Market:

It is very essential that ade- quate finances are assured to all sizes of industrial units whether small, big, medium or large and capital market is revived so that the shares of new ventures are subscribed by the investors. Some steps have been taken in this direc- tion in the last Budget of the Central Government. How- ever, further thought is required on the following lines—

(a) There is a need to reduce the rate of corporate tax to 45 per cent so that larger savings are generated for ploughing back for expan- sion, modernisation and investing in new ventures and enabling the companies to pay reasonable return to the shareholders, At present they have to wait for 4 to 5 years before they can expect any return.

(b) Companies should be en- couraged to invest in new ventures by avoiding double taxation on dividends recei- ved on inter company investment in case of all industries; at present this facility is restricted to a very few industries. Com- panies Act should also take more liberal view for such investment.

(c) Convertibility clause is working as a great deter- rent. If financial institutions are holding thirty per cent of shares in any company, convertibility clause should not be applied on fresh loans.

Rate of Return :

For increasing investment activity in the industrial sector, it is necessary that the industry should earn adequate profits to pay interest and instalments on borrowings from the financial institutions and banks and pay 12 to 15 per cent return to the shareholders. The Government recently announced 12 per cent post-tax return to the cement industry and immediately there was a spurt of new investment activity. Similarly, if adequate return is assured to the other industries, industrial growth can be increased substantially. The desired return can be ensured by combination of methods such as :—

(a) Fixing adequate price in case of controlled items ;

(b) Excise relief in case of items subject to heavy excise duty ;

(c) Allowing optimum sized units to bring down invest- ment and production cost ; and

(d) Continuous and automatic growth to avoid stagnation.

Excise Relief for Fairly Long Period :

In case of small scale indus- try subject to excise duty, a welcome concession has been given to those units whose total clearance for home con- sumption does not exceed Rs 15 lakhs in a year and they will not be subject to excise duty on the first Rs 5 lakhs clearances. This would benefit many small scale industries specially in those cases where rate of excise duty is heavy, say above 15 per cent. How- ever, it can help to establish new small scale industries, only if it is assured that this conces- sion will be continued for seven to ten years and a policy statement needs to be made accordingly.

Extend Excise Relief by Five Years :

The investment cost of new units in any industry is far more than that of old units because of inflation in the machinery prices and heavy customs duty on the imported plants and equipment. For instance, the investment cost of a new automobile tyre plant with 5 lakhs tyres capacity was Rs 30 to Rs 32 crores when your plant was put up as aga- inst Rs 5 to Rs 6 crores for similar sized old plants owned by multi-national companies. The five to six times investment cost of your plant as compared to the older plants has put your Company at a great disadvantage because of heavy cost of depreciation and inter- est on larger fixed assets. During the financial year 1976- 77 your Company had to bear interest and depreciation cost to the tune of Rs 6.97 crores. The shares of your Company were subscribed in 1972 by 16,000 investors. They are mainly small investors and for the last six years they have been waiting for declaration of some dividend. In spite of its well accepted products and maximum production efficiency, your Company has not been able to pay any dividend so far. This has been mainly because it has to bear interest and depreciation costs which are about 5 to 6 times than those of its competitors who have depreciated plants and paid back their borrowings long time ago. As stated ear- lier it is mainly because of excise relief that the Company has been able to earn some profit during 1976-77. However, the Company still has a heavy accumulated loss to be cleared. This acts as a deterrent for investment in capital intensive industry. This is the plight not only of your Company but of all capital intensive new plants.

To help the industry to get over this difficulty partially, excise duty relief scheme was introduced by the Government from 1st July, 1976, but it is applicable only upto 31st March, 1979 which is too short a period for any capital inten- sive industry to overcome the disadvantage of high invest- ment cost. In order that the shareholders of new companies do not have to wait very long for dividend and the invest- ment in new capital intensive industries may continue to flow in, it is necessary that the

xcise duty relief should be xtended beyond March, 1979 or a further period of at least ive years. All new capital ntensive units should in future e allowed to have this benefit or at least 7 to 8 years.

Balancing and Expansion of New Plants :

The excise relief to the new capital intensive units can help overcome only the initial disadvantage of heavy interest and depreciation charges, but it is necessary to put the industry on a sound footing on a permanent basis by allowing increased production through balancing equipment for which there is big scope and substantial expansion and making them optimum sized units. In case of automobile tyre industry, new plants should be allowed to increase their capacities upto a minimum of 10 lakhs tyres per annum to enable them to reduce their investment cost per tyre and also to reduce the overheads and other costs. This is possible through re-adjustment of the letters of intents/industrial licenses issued but which are not yet implemented. By 1983, the demand of automobile tyres and tubes is expected to go upto 103.45 lakhs. This would require an installed capacity of 114 lakhs based on 90 per cent capacity utilisation. The present installed capacity is only 80.44 lakhs tyres per annum. Thus there is expected to be a wide gap between demand and supply. In order that there may not be serious shortage of tyres in the years to come, it is necessary that effective steps should be taken immediately for implementing additional capacity. Though adequate capacity has been licensed, unfortunately the new entrepreneurs are not taking effective steps, because new projects of 4 to 5 lakhs tyres per year are no more economically viable. Therefore, if shortages have to be avoided in future, it is necessary that the unimplemented capacity may be redistributed to the new units which can deliver the goods and they should also be allowed to increase production by installing balancing equipment. The Company has applied to the Government to enhance the licensed capacity from 4 lakhs tyres to 6 lakhs tyres per annum in view of the increased productivity obtained with the same plant due to the technical innovations. The Company is shortly also applying to the Government for an additional capacity of 4 lakhs tyres. I hope the Government will be kind enough to accede to the request of your Company so that the plant may become economically viable.

Acknowledgement :

Workers, staff and officers at all levels are the soul of the Company and there have been and continue to be very cordial and harmonious relations with them. I am thankful to all the workers and officers for their hard and untiring efforts for increasing production and productivity.

I am also thankful to the various financial institutions and banks for their valuable assistance, guidance and encouragement to the Company from time to time. The Company is also thankful to its collaborators, Messrs Continental Gummi Werke AG., Hannover, West Germany for technical and other guidance, which has helped in continuously improving the quality of our products. Central and State Governments have always been sympathetic in solving the problems for which the management is extremely thankful to them.

I am also grateful to the members of the Board, who have given valuable advice to improve the working of yo Company.

Note :—*This does not purp to be a record of proceedings of Annual General Me ing.*

Government of India

6 PER CENT LOAN 1988 (THIRD ISSUE) TO BE ISSUED A Rs 100.00 PER CENT AND REPAYABLE AT PAR ON 22ND O NOVEMBER 1988.

6 1/4 PER CENT LOAN 1995 TO BE ISSUED AT RS 100.00 PE CENT AND REPAYABLE AT PAR ON 15TH OF MAY 1995.

6 3/4 PER CENT LOAN 2006 TO BE ISSUED AT RS 100.00 PE CENT AND REPAYABLE AT PAR ON 15TH OF MAY 2006.

Subscriptions to the above loans will be received simultaneously ar will be limited to a total of Rs 500 crores (approximately). Subscriptio may be in the form of cash/cheque. Government reserve the right retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notifi figure plus the amount of ten per cent retainable as aforesaid, parti allotment will be made in respect of the subscriptions received and th balance refunded in cash as soon as possible.

3. In the case of 6 per cent Loan 1988 (Third Issue) the interest fo the period 15th May to 21st May 1978 (inclusive) will be paid on 22n May 1978 and thereafter interest will be paid half yearly on 22nd Noven ber and 22nd May. In the case of 6 1/4 per cent Loan 1995 and 6 3/ per cent Loan 2006 interest will be paid half yearly on 15th Novembe and 15th May.

4. Interest on all the loans now issued together with interest o other previous Government securities and income from other approve investments will be exempt from income-tax subject to a limit of Rs 3,00 per annum and subject to other provisions of Section 80L of th Income-tax Act, 1961. The value of the investments in the loans no issued together with the value of other previous investments specified i Section 5 of the Wealth Tax Act will also be exempt from the wealth ta upto Rs 1,50,000/-.

5. Subscription lists for the new loans will open on the 15th of Ma 1978 and close on 16th of May 1978 or earlier without notice.

Applications for the loans will be received at:

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore Bombay (Fort and Byculla), Calcutta, Hyderabad, Jaipur, Kanpur Madras, Nagpur, New Delhi and Patna and

(b) branches of the State Bank of India at all places in India excep at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificate are as under:—

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.

(ii) The Stock Certificate will be sent to the applicant direct by regis tered post by the Public Debt Office.

(iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the inte rest will be remitted by Money Order after deducting the Commis sion charges; in respect of Stock Certificates where the net amount of interest to be remitted is less than Rs 20/ no money order commission will be charged.

(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.

(v) Government Promissory Notes in exchange for the Stock Certifi cate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, piease apply to any of the offices or branches mentioned in paragraph 5.

Grindlays Bank Limited

BALANCE SHEET OF INDIAN BRANCHES

Registered in London under the Companies Act of 1862 on the 23rd March, 1866. The liability of Members is limited.

CAPITAL AND LIABILITIES

		1977 Rs.	Rs.	1976 Rs.	Rs.
Capital	Amount deposited with the Reserve Bank of India under Section 11 (2) of the Banking Regulation Act, 1949 *(Market value of securities lodged)*	400 73 220.00		3 10 59 145.00	
Reserve Fund and other Reserves	**Head Office Reserve** (amount remitted in Sterling from Head Office)	2 19 60 000.00		2 19 60 000.00	
	Capital Reserve on revaluation of bank's premises (including accumulated depreciation of Rs. 27 77 968.29 upto 31st December, 1966)	4 96 42 994.15		4 96 42 994.15	
	Revenue Reserve	60 72 325.06	7 76 75 319.21	60 72 325.06	7 76 75 319.21
Deposits and other Accounts	**Fixed Deposits** from banks	25 000.00		1 87 000.00	
	from others	217 17 11 740.35	217 17 36 740.35	199 62 52 821.78	
	Savings Bank Deposits		121 04 41 808.25		118 56 68 308.08
	Current Accounts Contingency Accounts etc. from banks	2 93 60 139.35		4 11 56 398.01	
	from others	111 70 07 676.36	114 63 67 815.71	99 73 84 837.98	422 06 49 365.85
			452 85 46 364.31		
Borrowings from other Banking Companies, Agents, etc.	In India		32 81 71 142.51		17 36 07 510.95
	Outside India *(Particulars of borrowings etc. appear in an appended statement)*		6 59 99 387.95		4 94 73 465.55
			39 41 70 530.46		22 30 80 976.50
Bills Payable			11 31 41 644.88		11 69 10 090.61
Bills for Collection being Bills Receivable *as per contra*	Payable in India		23 64 01 118.78		20 74 38 964.42
	Payable outside India		23 46 90 149.43		21 57 22 331.07
			47 10 91 268.21		42 31 61 295.49
Other Liabilities:	**Net inter-Branch balances**		—		
Acceptances, Endorsements and other obligations *as per contra*			33 47 02 242.43		27 40 60 529.42
Profit and Loss	Balance brought forward from previous year	2 93 23 913.71		2 81 01 727.52	
	Add profit for the year brought from the Profit and Loss Account	2 61 16 035.73		2 93 23 913.71	
		5 54 39 949.44		5 74 25 641.23	
	Less remitted to Head Office	2 93 23 913.71		2 81 01 727.52	
		2 61 16 035.73		2 93 23 913.71	
	Less transfer to Contingency A/c.	2 00 00 000.00	61 16 035.73	—	2 93 23 913.71
Contingent Liabilities	*Claims against the banking Company not acknowledged as debts*	27 63 427.97		59 945.61	
	Outstanding forward exchange contracts	63 27 78 736.91		117 49 06 553.24	
	Guarantees issued	91 11 19 587.54		75 70 87 141.99	
	In respect of partly paid shares	46 62 915.00		36 25 000.00	
	In respect of Participation Certificates issued	25 00 000.00		25 00 000.00	
			592 54 43 405.23		536 48 61 490.79

AS AT 31ST DECEMBER, 1977

PROPERTY AND ASSETS

			1977 Rs.	1977 Rs.	1976 Rs.	1976 Rs.
Cash	In hand, with Reserve Bank of India, and with State Bank of India (including foreign currency notes)			27 96 66 371.30		21 99 19 931.17
Balances with other Banks *(on Current Accounts)*	In India		15 96 712.58		6 19 98 566.98	
	Outside India		91 93 899.56	1 07 90 612.14	23 60 856.28	5 43 59 423.26
Money at Call and Short Notice				—		—
Investments *(at cost or under)*	Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments		141 27 93 136.00		127 42 42 191.15	
Particulars of Investments appear in an appended statement	Shares					
	fully paid ordinary shares	24 63 002.00				
	partly paid ordinary shares	46 62 915.00	71 25 917.00		60 36 500.00	
	Debentures		15 020.00		15 020.00	
	Other investments		3 00 000.00		3 00 000.00	
	Gold		—	142 02 34 073.00	—	128 05 93 711.15
Advances *(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors—See Note 6)*	Loans, Cash Credits, Overdrafts, etc.					
	in India	248 28 24 711.65				
	outside India	—	248 28 24 711.65		216 12 86 389.46	
	Bills discounted and purchased *(excluding Treasury Bills of the Central and State Governments)*					
	payable in India	38 68 74 465.31				
	payable outside India	34 87 21 856.09	73 55 96 321.40	321 84 21 033.05	80 99 58 314.59	297 12 44 704.05
	Particulars of advances appear in an appended statement					
Bills Receivable being Bills for Collection *as per Contra*	Payable in India		23 64 01 118.78		20 74 38 964.42	
	Payable outside India		23 46 90 149.43	47 10 91 268.21	21 57 22 331.07	42 31 61 295.49
Constituents' Liabilities *for acceptances, endorsements and other obligations as per contra*				33 47 02 242.43		27 40 60 529.42
Premises *less depreciation*	At cost/valuation as at 31st December, 1976		7 01 74 478.14		6 95 17 363.68	
	Additions during the year		14 77 545.95		7 66 464.46	
			7 16 52 024.09		7 02 83 828.14	
	Less sales and amounts written off during the year		1 41 299.42		1 09 350.00	
			7 15 10 724.67		7 01 74 478.14	
	Less depreciation to date		68 93 553.51	6 46 17 171.16	57 76 594.16	6 43 97 883.98
Furniture and Fixtures *including vehicles and equipment less depreciation*	At cost as at 31st December, 1976		2 99 56 901.45		3 17 17 131.78	
	Additions during the year		32 94 283.89		29 61 758.06	
			3 32 51 185.34		3 46 78 889.84	
	Less sales and amounts written off during the year		41 85 356.84		47 21 988.39	
			2 90 65 828.50		2 99 56 901.45	
	Less depreciation to date		1 49 95 706.03	1 40 70 122.47	1 41 20 112.69	1 58 36 788.76
Other Assets	Accrued interest and commission		3 70 63 687.57		2 95 07 314.85	
	Sundries		1 23 675.73		2 99 864.78	
	Stamps, advance rents, sundry deposits, initial expenses, etc.		6 03 46 589.80		3 51 11 462.81	
	Net inter-branch and Head Office balances outside India		1 43 16 558.37	11 18 50 511.47	(36 31 418.93)	6 12 87 223.51
Non-banking assets *acquired in satisfaction of claims*				—		—
				592 54 43 405.23		536 48 61 490.79

Continued

Grindlays Bank Limited

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED 31ST DECEMBER, 1977

INCOME

(less provisions made during the year for bad and doubtful debts and other usual or necessary provisions)

	1977 Rs.	1976 Rs.
Interest and Discount	48 12 49 940.30	47 22 90 745.10
Commission, Exchange and Brokerage	7 78 10 808.31	7 86 30 155.56
Rent	4 93 919.63	5 64 134.13
Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular fund or account)	34 56 422.72	34 89 952.76
Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular fund or account)	—	—
Income from non-banking assets, and profit from sale of or dealing with such assets	—	—
Other receipts	—	—
	56 30 11 090 96	55 59 74 987.55

EXPENDITURE

	1977 Rs.	1976 Rs.
Interest paid on deposits, borrowings, etc.	23 83 75 448.66	22 69 83 909.39
Salaries and allowances and provident fund	11 11 94 818.53	10 69 53 218.04
Directors' and Indian Advisory Board members' fees and allowances	1 34 170.00	1 19 225 00
Rent, taxes, insurance, lighting etc.	14 42 38 428.97	14 57 49 711.85
Law charges	16 13 359.46	13 54 459.41
Postage, telegrams and stamps	21 83 218.02	23 81 407.85
Auditors' fees	2 00 000.00	2 05 000.00
Depreciation on and repairs to the banking company's property	97 18 122.86	1 03 86 267.51
Stationery, printing, advertisement, etc.	64 63 770.99	97 82 427.84
Loss from sale of or dealing with non-banking assets	—	—
Other expenditure	2 27 73 717.74	2 27 35 446.95
Balance of profit	2 61 16 035.73	2 93 23 913.71
	56 30 11 090.96	55 59 74 987.55

Particulars of remuneration relating to the banking company's chief executive in India:

	1977 Rs.	1976 Rs.
Salary	97 822.58	91 731.74
Allowances	44 020.16	40 904.29
Monetary value of any other benefits or perquisites [including actual medical expenses reimbursed Rs. 4250.26 (1976 Rs. 2988.18)]	50 278.50	43 859.12
	1 92 121.24	1 76 495.15

PARTICULARS OF ADVANCES

	1977 Rs.	1976 Rs.
Debts considered good in respect of which the banking company is fully secured	251 14 07 374.33	234 99 22 442.23
Debts considered good for which the banking company holds no security other than the debtors' personal security	37 86 12 170.20	14 87 19 977.71
Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	32 84 01 488.52	46 26 02 284.11
Debts considered doubtful or bad, not provided for	—	—
	321 84 21 033.05	296 12 44 704.05
Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	77 67 362.35	69 86 001.07
Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	—	81 21 371.71
Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	84 61 410.37	68 17 585.94
Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	—	81 21 371.71
Due from banking companies	64 25 656.75	17 12 088.67

PARTICULARS OF BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.

	1977 Rs.	1976 Rs.
Secured *(See Note 1)*	20 81 60 613.43	16 21 07 510 95
Unsecured	18 60 09 917.03	6 09 73 465 55
	39 41 70 530.46	22 30 80 976 50

PARTICULARS OF INVESTMENTS VALUATION

	1977 Rs.	1976 Rs.
Quoted investments at lower of cost or market quotation	141 43 88 138 00	127 57 34 691.15
Unquoted investments at cost	58 45 915.00	48 59 000 00
Unquoted investments at below cost (cost Rs. 64500)	20.00	20.00
	142 02 34 073 00	128 05 93 711.15

Continued

Grindlays Bank Limited

PRINCIPAL ACCOUNTING POLICIES

Premises Freehold premises and leasehold premises are included at cost or at professional valuation carried out in 1973.

Depreciation of Fixed Assets Depreciation on furniture, vehicles, equipment and properties other than leasehold premises is charged on a straight line basis over the estimated lives of the assets. Leasehold premises are amortised over the periods of the respective leases. Equipment is depreciated over a five year period.

Investments Quoted securities are included at the lower of cost or market value. Unquoted securities are included at or below cost.

Foreign Currencies Assets and liabilities in foreign currencies are converted at the rates ruling at the year-end, except that contingent liability in respect of forward exchange contracts is included at the contracted rates.

NOTES

1. **Borrowings** The borrowings from other banking companies etc. classified as secured are secured by the corresponding advances to customers.

2. **Bonus** Bonus of Rs. 67 lacs has been paid for 1976 in accordance with the Payment of Bonus Act, 1965 and has been charged to these accounts. Bonus for 1977 will be paid and charged to 1978 accounts on a cash basis.

3. **Unremitted Surplus** In terms of current exchange control directives, pending completion of the Bank's Income Tax Assessment for the Accounting Years 1973, 1974, 1975 and 1976, a total amount of Rs. 221 lacs (1976 Rs. 182 lacs), arising from adjustment of Head Office Charges, relating to those years is held unremitted in India.

4. **Income Tax** *(a) 1977 Provision* Provisions for income tax and interest tax estimated at Rs. 1342 lacs (1976 Rs. 1359 lacs) have been charged to these accounts and included in the expenditure item "Rent, Taxes, Insurance, Lighting, etc."

   (b) Contingent Liability The Proceedings initiated under Sections 147/148 of the Income Tax Act 1961 for the years 1957 to 1970, of which the Calcutta High Court has granted a stay for the years 1957 to 1969, remain to be disposed of. Further, assessments of some years are in dispute. The liabilities, if any, relating to these are not ascertainable at this stage.

5. **Staff Retirement Benefits** Retirement benefits to employees retiring after 27th December 1974 are paid from an approved trust fund —Grindlays Bank Limited Indian Staff Pension Scheme. The actuarially valued liability, reduced by the contributions of Rs. 408 lacs already made to the fund (including Rs. 100 lacs charged in these accounts to cover annual and part initial contributions), amounts to Rs. 936 lacs on 31st December 1977 (Rs. 1089 lacs as at 31st December 1976).

   In addition, pension payments to employees who retired on or before 27th December 1974 are treated in the accounts consistently on a cash basis.

6. **Advances** Included in "Debts considered good for which the Banking Company holds no security other than the debtors' personal security" is an amount of Rs. 478 lacs due from two companies, nationalised in 1976 with retrospective effect in respect of which necessary claims will be lodged with the appropriate authorities under the Act nationalising these companies. Until these claims have been agreed with the authorities the final amount of the settlement cannot be established. It has, therefore, not been possible to ascertain the shortfall, if any, that may arise on the final settlement of these claims and accordingly, no provision has been made in these accounts in respect thereof.

7. **Re-arrangement of Previous Year's Figures** Previous year's figures have been re-arranged wherever necessary.

A. K. BASU
CONTROLLER

K. WARNER
REGIONAL DIRECTOR, SOUTH ASIA

AUDITORS' REPORT

We have audited the Balance Sheet of Indian branches of Grindlays Bank Limited as at 31st December, 1977, signed by us under reference to this report, and the relative Profit and Loss Account in which have been incorporated the unaudited returns from 14 branches, not visited by us, for which the Company Law Board has granted exemption under Rule 4 of the Companies (Branch Audit Exemption) Rules, 1961 from the provisions of Section 228 of the Companies Act, 1956.

Under the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms "A" and "B" of the Third Schedule to the Banking Regulation Act, 1949.

On the basis of the audit indicated in the first paragraph, we report that—

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account, as required by law, have been kept by the Indian branches of the Bank so far as appears from our examination of those books and the aforesaid unaudited returns and these returns have been found to be adequate for the purpose of our audit.
3. The Balance Sheet and the Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account and the aforesaid returns.
4. In our opinion and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Account together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis the said Balance Sheet gives, subject to Notes 2, 5 and 6 thereon regarding Bonus, Staff Retirement Benefits and Advances respectively, a true and fair view of the state of affairs of the Indian branches of the Bank as at 31st December, 1977 and the Profit and Loss Account gives, subject as aforesaid, a true and fair view of the profit of its Indian branches for the year ended on that date.

A. K. CHAKRABARTI
Partner
For and on behalf of Price Waterhouse & Co.
Chartered Accountants

Calcutta, 14th February 1978.

TRADE WINDS

Three Loans Floated

THE CENTRE has announced the issue of three government of India loans aggregating Rs 500 crores.

They are: (i) Six per cent loan 1988 (third issue) to be issued at Rs 100.00 per cent and repayable at par on November 22, 1988.

(ii) Six and a quarter per cent loan 1995 to be issued at Rs 100.00 per cent and repayable at par on May 15, 1995.

(iii) Six and three-fourths per cent loan 2,006 to be issued at Rs 100.00 per cent and repayable at par on May 15, 2006.

Subscriptions will be received on May 15 and 16, 1978, but the subscription lists may be closed earlier without notice as soon as the total subscriptions amount to Rs 500 crores. Government has reserved the right to retain subscription up to 10 per cent in excess of the notified amount, says an official release.

If the total subscriptions received for the loans exceed the notified figure plus the amount of 10 per cent retainable, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

Excise on Sugar

There has been a bumper crop of sugarcane during the sugar year 1977-78. In order to encourage the crushing of sugarcane beyond May 1, 1978 and keeping in view the lower recovery of sugar and higher cost of conversion, the government has decided to grant exemption in excise duty to excess production of sugar produced during May-September 1978 over the average production of sugar during the corresponding period in the preceding three sugar years to the extent of Rs 54 per quintal for free sale sugar and Rs 9.60 per quintal for levy sugar.

Finance for Import of Capital Goods

In his budget speech, the Finance minister had announced the creation of "a new facility under which term lending financial institutions and public sector banks will provide rupee finance on appropriate terms to cover the import costs of approved projects. This will be in addition to the rupee finance which is already being made available to cover domestic costs. A consortium of banks will be formed to provide such loans, supplementing the finance by the term lending institutions".

The government has accordingly decided, in consultation with the Reserve Bank of India, to introduce a scheme of rupee finance to cover import of capital goods. The main features of the scheme are described below. The purpose of the suheme is to ensure that non-availability of rupee finance does not hold up implementation of worthwhile projects for which government is willing to allocate foreign exchange.

Coverage of the scheme: The scheme will apply to all cases where a capital goods import licence has been granted, except in those cases where the foreign exchange allocation is out of credits such as the World Bank and other credits with the IDBI, ICICI or the IFCI.

What will be financed: The rupee epuivalent of the foreign exchange cost of imported capital goods will be eligible for assistance. Term loans for the rupee equivalent will be made available to the applicant to enable the applicant to purchase foreign exchange to meet the cost of the imported capital goods.

Who will finance: Rupee term loans can be obtained from any scheduled commercial bank or from one of the all-India public financial institutions.

Eligibility for assistance: All capital goods imports including imports for projects which are being financed by the all-India public financial institutions and banks.

Appraisal: The lending bank or a consortium of banks will make the appraisal as to the viability of the project or the proposal. In all cases in which all-India public financial institutions are also involved in the financing of the project, the credit appraisal will be made available by them.

Procedure for securing assistance: The present procedures for obtaining rupee term loans from scheduled commercial banks will apply to this facility also.

Other conditions: The period of the loan will ordinarily not exceed 10 years. The rate of interest will be specified by the banks from time to time. The rate of interest at present will be 11 per cent.

Refinance: Banks will be entitled to refinance from the Reserve Bank at the Bank Rate in respect of loans granted by them under the scheme. Appropriate arrangements will be made to ensure that all India public financial institutions have adequate resources to meet the requirements of their borrowers under the scheme.

Excise Duty on Pig Iron

The government has decided to exempt foundry grade pig iron with phosphorous content of 0.2 per cent and above and produced by a unit other than an integrated steel plant using coke as the principal fuel from the whole of duty of excise leviable thereon.

Trade Mission to China

Association of Indian Engineering Industry (AIEI) has sponsored a four-member mission from leading engineering companies in India, representing different sectors of industry to visit the Canton Fair, China and also to transact business in the areas where the Chinese had specifically indicated their interest during their visit to the Second Indian Engineering Trade Fair in February last

The delegates were impressed by the capacity and capability of Indian engineering industry. They found the progress of the engineering sector outstanding and complimented the industry for the degree of technical advancement which it had achieved. The delegation had shown interest in scooters, electronic equipment, alumina and other materials, steel tubes, proces

rol instruments, wire s, mining equipment and inery, construction and moving equipment, blast aces for steel industry, and l tools. The delegation h left on April 30, was by Mr T.D. Sinha—Mana- Director, Indian Alumi- n Co. Ltd. Other members e Mr. M.K. Jhawar,— irman & Managing Direc- Usha Telehoist Ltd, Mr porva Shah—Chairman & naging Director, Gujarat el Tubes Ltd. and Mr C. Patankar—Secretary, EI (Western Region).

ustoms Duty on aphthalene

Keeping in view the short- of naphthalene in the coun- and its price in the inter- tional market, the govern- nt has exempted 4,000 tons naphthalene in pure form ported by M/s SAIL Inter- tional Ltd. from whole of e customs duty leviable ereon. This has been done make available naphtha- ne to the consuming indus- es at reasonable prices.

FFCO's Kandla Unit

The Kandla plant of the dian Farmers Fertiliser Co- perative Ltd. (IFFCO) which ent into production early in 975 completed one million nnes of production of high nalysis NPK fertiliser on pril 21, 1978. To mark the ccasion, a special function as held in the port town at hich the chief guest was Mr abu Bhai Patel, chief minis- r of Gujarat, who presented bag of fertiliser, represent- ng the millionth tonne of NPK production to a farmer f Anandsar/Ningar village, istrict Kutch, which has been dopted by IFFCO for inten- ive integrated agricultural evelopment. Token awards were also presented to all workers and officials in the plant in recognition of their outstanding performance in surpassing the production capacity of the plant.

Grants for Agricultural Research

The Indian Council of Agricultural Research has been awarded two grants totalling Rs 6,702,813 by the US Department of Agriculture (USDA) for research into new techniques for weed control and post-harvest technology of perishable fruits and vegetables. Out of the total amount Rs 42.97 lakhs are earmarked for weed control and Rs 24.06 lakhs for post-harvest technology. The two projects are in the high priority research area established by theScience and Technology Subcommission of the Indo-US Joint Commission.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of March, 1978, the sixth month of the season 1977-78 was about 1,135,000 tonnes as against 794,000 tonnes during the corresponding period last season. This brings the total production during the first six months of the season 1977-78 to about 4,526,000 tonnes as against 4,181,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of March, 1978, was about 361,000 tonnes for internal consumption and nil for exports as against about 285,000 tonnes for internal consumption and 80,000 tonnes for exports in the corresponding period last season. The total despatches in the first six months in 1977-78 was 2,205,000 tonnes for internal consumption and nil for exports as against 1,845,000 tonnes for internal consumption and 273,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on March 31, 1978, was about 3,900,000 tonnes as against 2,895,000 tonnes on the same date last season.

Pakistan Railways

Pakistan Railway has chalked out a plan to prepare coaches according to international standard so that it may not find any difficulty in running trains to Europe when Iran completes its portion of rail track linking Pakistan. In the new design of coaches, European standards would be followed instead of the American standard. The present number of coaches was not sufficient to meet the requirements of the passengers. To meet the situation, the Carriage Factory at Islamabad had been fully geared into operation. This factory will prepare 150 coaches annually.

Swadeshi Mills Taken Over

The centre has taken over the Swadeshi Cotton Mills—six units and three sub-units spread over Uttar Pradesh, Rajasthan and Pondicherry. They will be run directly by the National Textiles Corporation as a holding company. Minisier for Industries, Mr. George Fernandes, announced in tne Lok Sabha that the objective of the take-over was to give a clean and efficient management. The mills would never be returned to the ers-while owners, he assured the house. The announcement meets demands made to this effect in and outside parliament.

Mr Fernandes observed that the history of the mills showed that there was need to have a national debate whether family managed concerns were relevant in the present context at a time when there was hardly any thing like private capital and resources. Public

For Attention of Employers

The last date for filling your ANNUAL RETURN of the salaries paid and the Tax deducted therefrom by you during the preceding Financial Year has been extended this year to 30th June, 1978.

Form No. 24 which is the prescribed Form for the ANNUAL RETURN has been revised vide Notification dated 31st March, 1978 of the Central Board of Direct Taxes.

FAILURE to furnish the ANNUAL RETURN in due time attracts penalty extending to Rs. 10 for every day of default.

REMEMBER TO FILE COMPLETE AND CORRECT ANNUAL RETURN IN THE REVISED FORM NO. 24 BY 30TH JUNE, 1978.

For forms or any other information/assistance, contact your assessing I.T.O. or the P.R.O.

Issued by:

Director of Inspection

(Research, Statistics & Publications)

INCOME TAX DEPARTMENT NEW DELHI.

davp-78/39

financial institutions provided the capital by and large. The money, there fore, came from the taxpayer.

Names in the News

Mr R.J. Shahaney has been elected President of the Association of Indian Engineering Industry (AIEI) for the year 1978. Mr Shahaney is the Managing Director (Design-

Mr R. J. Shahaney

nate) of Ashok Leyland Ltd—the well known commercial vehicle manufacturers. He joined Jessop & Co. Ltd in February 1953 and was its Chairman and Managing Director.

Mr Rahul Bajaj has been

Mr Rahul Bajaj

elected Vice-President of the AIEI for the year 1978. Mr Bajaj is the Chairman and Managing Director of Bajaj Auto Ltd. He is widely connected with various industrial organisations and has been Chairman, Development Council for Automobile & Allied Industries, President, Association of Indian Automobile Manufacturers and Vice-President, Mahratta Chamber of Commerce & Industries.

At the annual regional meeting of the Association of Indian Engineering Industry (Northern Region), **Mr W. N. Talwar**, Managing Director of Payen Talbros Ltd. and **Mr M. K. Modi** of Modi Arc Electrodes Co. were elected Chairman and Deputy Chairman of the Association respectively for the year 1978-79.

Mr. Sisir Mitra, Managing Director of Cyanamid India Ltd., has been re-elected President of the Organisation of Pharmaceutical Producers of India (OPPI) for the third year (1978-79) in succession,

Mr M.N. Karani, Director of CIBA-GEIGY of India Ltd., has been re-elected

Mr H. N. Dutt

Vice-President. **Mr. H.N. Dutt Gupta**, Managing Director of East India Pharmaceuticals Ltd.. Calcutta. has been elected another Vice-President.

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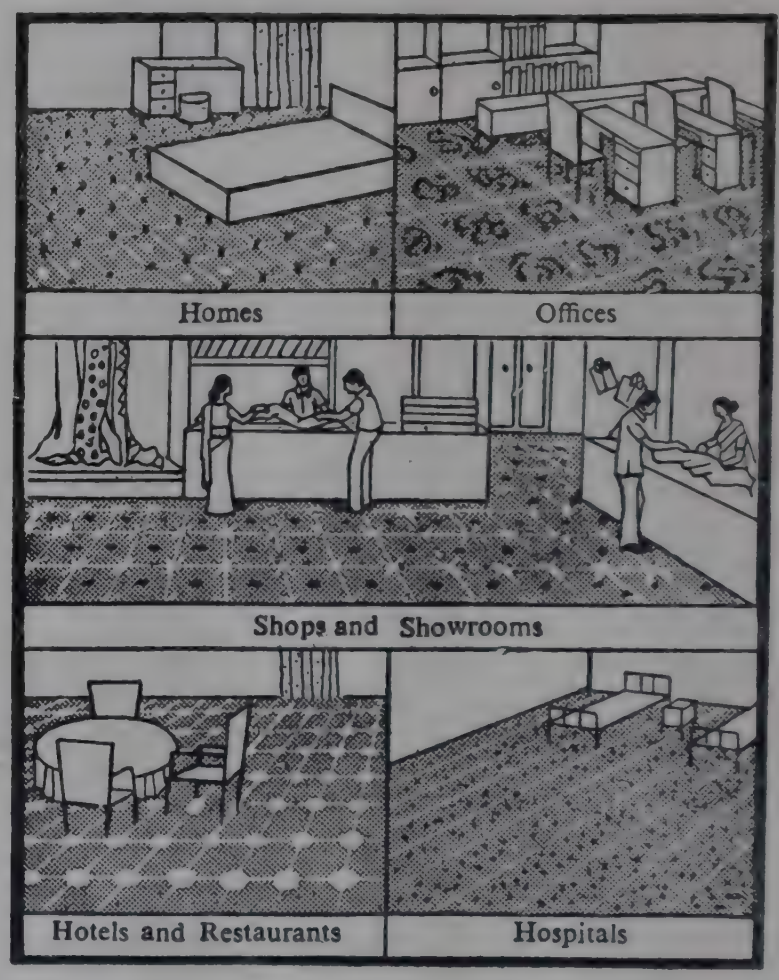

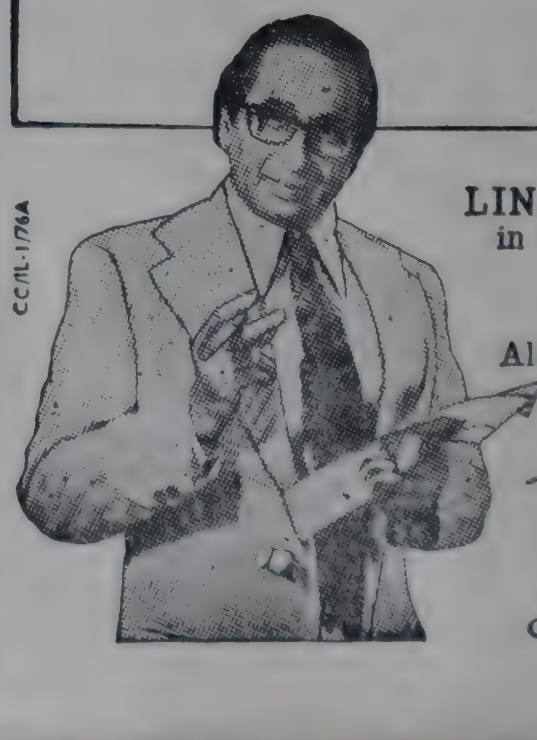

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COMPANY AFFAIRS

dian Overseas Bank

IAN OVERSEAS Bank has orded a profit of Rs 3.61 res during the year 1977 as inst Rs 3.07 crores a year ore showing a rise of 17.6 cent. The bank revealed impressive growth showing rise in deposits of other counts in India and abroad a figure of Rs 655 crores ainst Rs 470 crores a year fore, increasing by nearly per cent in one year. In dia, aggregate deposits (exusive of inter-bank and other bilities not in the nature of eposits from the public) rose gnificantly by Rs 157.6 crores gainst Rs 112.9 crores in the receding year. The growth te at 38 per cent was well bove the national average of per cent. The bank maintaind its lead over other public ector banks in the rate of eposit accretion for the third onsecutive year.

Priority Sector Advances

The ratio of priority advances to gross credit in India reached the $33\frac{1}{3}$ per cent norm stipulated by the government of India, well ahead of the deadline (March 1979), a clear manifestation of the bank's abiding interest in promoting the well-being of the economically weaker sections. Outstanding advances to priority sectors recorded an increase of over Rs 30 crores during the year and stood at Rs 117.5 crores as of end 1977, covering nearly 420,000 borrowers a vast majority being small and marginal farmers, landless labourers and other socially backward persons, artisans and craftsmen, repatriates, small-scale industrialists and small businessmen.

A record number of branches were opened in India—86 compared to 75 in the preceeding year. Approximately three fifths of the new branches were located in hitherto unbanked centres. Nearly one fourth of the new branches established in 1977 were in the under banked states of UP, West Bengal, MP, Orissa, Bihar and Rajasthan.

Indian Aluminium

Indian Aluminium Company proposes to expand and diversity its activities. It is pursuing the prospect of expanding its alumina capacity. Expansion of the smelters at Alupuram and Hirakud is being considered, state the directors in their annual report for 1977. The company also continues to investigate the feasibility of seting up the caustic soda-chlorine plant at Haldia in West Bengal for which it holds a letter of intent.

The company has also received a letter of intent for an increase in the capacity of its foil mill at Kalwa by 1,500 tonnes per annum. It expects to receive shortly the government's decision on its applications for installations of an extrusion press and expansion of Taloja sheet mill. It has undertaken a modernisation programme for its Belur sheet mill at an estimated cost of Rs 4.50 crores. The programme is aimed at improving the production facilities and capacity utilisation.

The directors state that the indigenous production of aluminium will fall short of demand in the current year also unless urgent efforts are made to supply more power to the aluminium smelters. The industry's production was around 182,000 tonnes in 1977 against 211,000 tonnes in 1976 because of power shortage. To meet the demand the government permitted imports of about 10,000 tonnes of the metal.

The company's production in 1977 was lower by 22 per cent than in 1976 due to power shortage as well as a strike by the workers at the Belgaum plant. The capacity utilisation in the smelters was low at 56 per cent against 72 per cent in the previous year.

The company's sales were around Rs 117 crores in 1977 against Rs 132 crores in 1976. Its gross profit was placed at Rs 4.57 crores against Rs 5.60 crores for 1976.

Atul Products

Mr Siddharth Kasturbhai, chairman, Atul Products has indicated in his statement to the shareholders that under the new industrial policy, many dyes groups such as azo dyes, basic dyes, indigo, naphthols, phthalocynines, reactive dyes (cyanuric chloride group) fast colour bases and optical whitening agents have been reserved for the small-scale industry. He expressed his feeling that the organised industry should be left free to expand within the above groups where complicated products, extensive technology, economy of scale and inter-relation of products, considerable technical R & D effort and large investments were required. He hoped that the government would look into this aspect in greater details.

The monthly production of betanaphthol had reached the licensed capacity. The product had been of very satisfactory quality in general. Other plants also worked satisfactorily during 1977. The company was going ahead with its various expansion and diversification programmes. It proposes to participate in a joint venture project under the style Vanavil Dyes and Chemicals Ltd. floatted by Tamil Nadu Industrial Development Corporation which was establishing a dyestuffs factory. The company proposed to take up 25 per cent of the equity capital of the new company, while the TNIDC would take up 26 per cent of the capital and the balance 49 per cent would be issued to the public.

Larsen & Toubro

Larsen & Toubro Limited has submitted a proposal to the government to put up a giant cement project with a capacity of 5,000 tonnes per day and an investment of Rs 100 crores. The project will be located in the Chandrapur district of Maharashtra. The project will be implemented in two phases, each phase having a single kiln of 2500 tonnes per day capacity. The board of directors of the company is reported to have cleared the first phase of the project with an investment of Rs. 50 crores. The project will be implemented as a division of the company. It is expected that subject to expeditious receipt of various government approvals, the first phase would be operational during 1981. Work on the second phase will commence soon after the first phase

has been successfully commissioned.

When completed, this will be the largest dry process cement plant in the country. The plant design will incorporate the most modern technology including precalcination. Nearly two million tonnes of cement per year will be produced by this plant on completion of the second phase.

Svadeshi Mills

The sales of the Svadeshi Mills Co Ltd, net of excise for the year 1977 were Rs 22.53 crores compared with Rs 18.85 crores for the previous year. The gross profit of the company for the year 1977 was Rs 112.81 lakhs (Rs 89.01 lakhs). After providing for depreciation Rs 40.94 lakhs (Rs 37.47 lakhs), taxation Rs 28.00 lakhs (Rs 15.00 lakhs) and investment allowance reserve Rs 15.00 lakhs (Rs 15.70 lakhs), the balance available for appropriation (including the brought forward balance in profit and loss account of Rs 8.01 lakhs) was Rs 36.88 lakhs (Rs 34.85 lakhs). The directors of the company have recommended preference dividend of Rs 7.14 per share and equity dividend of Rs 20 per share (Rs 20 per share), aggregating Rs 25.27 lakhs. The directors have also recommended the issue of bonus shares in the ratio of one fully paid ordinary share of Rs 100 for every four ordinary shares held, subject to obtaining the approval of the Controller of Capital Issues.

WIMCO

WIMCO has declared an equity dividend of 16 per cent for 1977 against 17 per cent paid for the previous year. Since the reduced dividend is payable on a substantially increased capital of Rs 8.45 crores against Rs 6.2 crores in the previous year, the total distribution will be larger even though the new shares allotted during 1977 are eligible for dividend on a pro-rata basis. Despite a slight improvement in turnover from Rs 41 crores in 1976 to Rs 41.6 crores in 1977, the profit available for appropriation was Rs 1.47 crores against Rs 1.57 crores. This is attributed to lower realisation on sales of paper and higher selling expenses on matches.

The project for modernising the sodium chlorate plant and for the manufacture of cardboard match boxes at Ambarnath have been implemented. The match boxes will be marketed in some of the cities in western India from early May. Exports of magnetite electrodes, chemicals and other items which had amounted to Rs 41 lakhs in 1977 are expected to exceed Rs 1.5 crores in the current year. Judged by the sales experience for the first quarter of 1978, the company's outlook is better. The turnover of all items amounted to Rs 10.2 crores compared to Rs 8.5 crores in the corresponding period of 1977, showing an increase of 20 per cent. The sales for the whole of the current year are expected to aggregate Rs. 48 crores.

Ahmedabad Advance Mills

The Ahmedabad Advance Mills has maintained the equity dividend at 16 per cent for 1977. According to the preliminary statement, net sales have risen by 48 per cent from Rs 18.43 crores in 1976 to Rs. 27.29 crores in 1977. The gross profit increased marginally by 2.3 per cent from Rs 127.59 lakhs to Rs 130.59 lakhs. After providing Rs 70.26 lakhs (Rs 79.31 lakhs) for depreciation and Rs 34 lakhs (Rs 4 lakh) for development rebate reserve and after some adjustments the balance available for disposal is Rs 50.82 lakhs (Rs 61.71 lakhs). Equity and preference dividend will absorb Rs 27.43 lakhs. A sum of Rs 7.50 lakhs (same) has been transferred to debenture redemption reserve and Rs 2 lakhs (Rs 3.35 lakhs) to the general reserve.

S.B. Properties

S.B. Properties and Enterprises Ltd. which is setting up a luxury hotel at Jaipur, proposes to enter the capital market shortly to raise Rs 41.80 lakhs from the public by issuing 418,000 equity shares of Rs. 10 each at par. The issue is fully underwritten. The company's issued capital at present is Rs 23.20 lakhs. The nine storey hotel will have 94 double bedrooms and a deluxe suite. Besides it will have an all purpose restaurant, conference/banquet hall, bar and a roof top restaurant. The building structure is almost complete and air conditioning plant and lifts have already been installed. It is expected to be ready for occupancy from August next. The company has signed a contract with ITC Ltd. for providing consultancy service and marketing and operating experitise. The project cost, estimated at Rs 201 lakhs is to be financed by share capital of Rs 65 lakhs and loans from banks and financial institutions of Rs 136 lakhs.

Triveni Engineering

Triveni Engineering Works has recorded sales of Rs 22.71 crores for the year ended October 1977 against Rs 19.06 crores in the previous
According to the prelimi
statement the company r
a lower gross profit of
20.84 lakhs against Rs 2
lakhs. After providing
6.50 lakhs (Rs 5.38 lakhs)
depreciation, Rs 1.06 l
(Rs 2.26 lakhs) for inv
ment allowance and Rs
lakhs (Rs 7 lakhs) for ta
tion there is surplus of
6.23 lakhs against Rs 4
lakhs. Equity dividend
been cut from 15 per cent
10 per cent but is payable
the increased capital by
one for one bonus issu
Dividend will absorb Rs 7
lakhs (Rs 1.43 lakhs).

Alfred Herbert

For the year ended Dece
ber 1977, Alfred Herbe
(India) has reported a gro
profit of Rs 31.40 lakhs
sales of Rs 4.42 crores agai
st a profit of Rs 46.32 lak
on sales of Rs 5.82 crores
the previous fourteen mon
period. Equity dividend ha
been proposed at five per cen
against 12 per cent which wi
absorb Rs 5.25 lakhs again
Rs 9.40 lakhs. After prov
ding Rs 13.43 lakhs (R
14.21 lakhs) for depreciation
Rs 4.15 lakhs for investmen
allowance reserve and Rs
lakhs (Rs 18.75 lakhs) fo
taxation there is a surplus o
Rs 8.82 lakhs against R
13.36 lakhs. A sum of R
3.60 lakhs (Rs 3.96 lakhs) ha
been transferred to genera
reserve.

Ferro Alloys

Ferro Alloys Corporation has maintained the equity dividend for 1977 at 12 per cent on the increased capital resulting from the one for one bonus issue made during the year. The overall production of ferro alloys was lower by 11.3 per cent over the previous year, while that of chrome ore

higher by 14.5 per cent. turnover was lower at Rs 2 crores in 1977 against 19.69 crores in 1976 and gross profit at Rs 2.91 es against Rs 3.59 crores. er providing Rs 89.54 hs (Rs. 80.96 lakhs) for preciation Rs 10.63 lakhs 13.19 lakhs) for invest- nt allowance and Rs. 120 hs (Rs 150 lakhs) for xation and after some ad- tments a sum of Rs 50.78 khs has been transferred to he general reserve.

While the fall in the total rnover was mainly due to educed exports of chrome ore, he decline in the profit was ue to increased cost of pro- uction of ferro alloys and of hrome ore and comparatively ower sales realisations. Sales ealisations and profits were dversely affected by the fall n the exchange value of the US dollar and the levy of a duty at Rs 75 per tonne on export of chrome ore.

The demand for ferro alloys in the domestic market in the current year was considered satisfactory and there were indications of improvement in the export market. The turnover in the first quarter of the current year has already touched Rs 5.72 crores.

Sandoz (India)

In his statement to the shareholders, Mr S. Ranganathan, chairman of Sandoz (India), has pointed out that under the new drug policy stress was laid on the utilisation of high technology and the production of basic substances. He added that a number of questions still needed to be clearly defined by the authorities. He hoped that the government would take a realistic view while considering the problems of individual cases in order to enable the industry to make further contributions towards the national economy and the consumers at large.

Sales growth of the pharmaceuticals division in the domestic markets has been satisfactory. Sales of agrochemicals increased substantially in 1977. The extension activities of this division too continued during the year.

The directors have revealed that for the dyes division, the taxtile and leather industries remained the main markets during 1977. Despite the difficulties being faced by these industries, the division succeeded in improving its turnover in 1977.

TAFE

Mr Kirti Nidhi Bista, prime minister of Nepal, visited the factory of Tractors and Farm Equipment Limited (TAFE) recently. The prime minister was shown round the manufacturing facilities by Mr A. Sivasailam, chairman and managing director, Mr. M. Ramaswamy, general technical manager and Mr M.L.S. Rao, general works manager. He was also shown the futuristic version of the tractor which TAFE will be manufacturing in India to supplement and eventually replace the earlier Massey-Ferguson model currently being manufactured under licence in the country by TAFE. The company has a 300,000 sq. ft. manufacturing plant at Madras and nearby a training school for dealers and staff. To date TAFE has built over 47,000 tractors of which 5,500 were built in 1977.

Haryana Sheet Glass

Haryana Sheet Glass Ltd. proposes to set up a new sheet glass unit near Sonepat, Haryana. The project, estimated to cost Rs 165 lakhs, has an installed capacity of 2.81 million square metres (two km basis) and will manufacture sheet glass of plain, white and tinted varieties. Plant and machinery including spares together with electrocast refractories and special clay will be imported. The fourcault glass drawing machines equipped with automatic glass cutting is to be supplied by Techmas-Export, USSR. A major portion of the requirements of electrocast refractories will be obtained from a French firm.

The project will be financed by equity capital of Rs 60 lakhs and term loans of Rs 105 lakhs. The directors, friends and associates have taken up equity shares worth Rs 24 lakhs and 360,000 equity shares of Rs 10 each are to be offered to the public. Considerable progress has been made in the implementation of the project. Orders for most of the machinery, both imported and indigenous, have been placed. Erection of the plant and machinery is expected to start by August and commercial production by October next. Since this will be the first unit of its kind in the north the company expects a ready market for its products in the region itself.

Garware-Wall Ropes

Garware-Wall Ropes Ltd, a company jointly promoted by Garware Filament Corpn Pvt Ltd and Wall Industries Inc, USA, shall shortly begin the production of large diameter synthetic ropes in the country. The new company will pioneer the manufacture of eight strand braided ropes from polypropylene, nylon and other blended synthetic fibres for shipping in addition to the conventional three strand ropes. The braided ropes are used in the shipping industry for tugging, mooring and other operations, since these ropes are of the special torque free, non-kinkable, balanced variety. Besides shipping, braided ropes shall also find extensive application in the fast growing oil exploration agencies in oceanography and in defence.

The company has been granted an industrial licence to manufacture 2000 MT of large diameter synthetic ropes and firm orders have been placed for imported and indigenous machinery required for the production of ropes of international specifications and quality. In addition, the company has acquired the existing twine and rope manufacturing business together with land, building, trained personnel and marketing set-up of Garware Filament Corpn Pvt Ltd.

Project Cost

The project cost of approximately Rs 176 lakhs, is being financed by a share capital of Rs 60 lakhs, foreign exchange loan of Rs 55 lakhs sanctioned by ICICI, a term loan of Rs 25 lakhs from the Bank of India and an unsecured loan from Garware Filament Corpn of Rs 18 lakhs and the balance will be met through internal cash accruals. Out of the total share capital of Rs 60 lakhs, Garware Filament Corpn and Wall Industries Inc, New Jersey, USA, (WALL) have each taken up shares of Rs 12 lakhs (20 per cent). Shares of Rs 3 lakhs have been reserved for directors, friends and/or associates. The balance of Rs 33 lakhs (330,000 shares of Rs 10 each) will be offered to the public. The public issue opened on April 24, 1978.

Tax concessions in budget proposals for 1978-79

Moving for consideration the bill to give effect to the financial proposals of the central government for 1978-79, the Finance minister, Mr H.M. Patel, introduced a few modifications which entailed a total revenue loss of Rs 28 crores in a full year. The levy on advertisements was revised to assist small newspapers and small entrepreneurs. The bill sought to discontinue the grant of export markets development allowance in relation to expenditure incurred after March 31, 1978 but it will now continue to be available only to export houses, small-scale exporters and consultancy firms. The levies on coal and power have also been scaled down.

Full text of the Finance minister's speech in Lok Sabha is given below :

I HAVE already explained the salient features of the main proposals contained in the finance bill in my budget speech. The details of the specific provisions in the Bill have been given in the Explanatory Memorandum circulated to Hon'ble Members, I do not, therefore, consider it necessary to traverse the same ground again.

The Finance Bill has been before the hon'ble members for nearly two months. During the debate on the Budget, and thereafter during discussions on the demands for grants of individual ministries, various suggestions have been put forward by hon'ble members with regard to the proposals contained in the Bill. I have also received a number of representations from members of the public, chambers of commerce, and other trade and professional associations on the proposals contained in the Bill. I take this opportunity of expressing my gratitude to hon'ble members and to all others who have made constructive suggestions.

On a careful consideration of these suggestions, I have decided to modify some of my original proposals. With the indulgence of the house, I will briefly explain the principal changes that are proposed to be made in the provisions of the finance bill, I shall first deal with the proposed changes in the sphere of direct taxes.

Mitigating Hardship

The bill provides for the disallowance, in the computation of taxable profits, of a specified percentage of expenditure incurred by taxpayers on advertisement, publicity and sales promomotion. It has been represented that while large enterprises might be able to absorb the impact of this measure, the proposed disallowance will result in hardship in the case of medium and small enterprises. In order to avoid hardship to them, the bill already provides that no disallowance will be made in cases where the aggregate expenditure on advertisement, publicity and sales promotion does not exceed Rs. 20,000 in a year. This has been criticised as being somewhat too low a sum. With a view to ensuring that genuine small enterprises are not adversely affected by this provision, I propose to raise the monetary limit of Rs. 20,000 to Rs. 40,000.

Relief to Newspapers

It has been represented that the proposed measure will seriously endanger the existence of small newspapers. In order to ensure that the proposed measure does not result in any fall in the advertisement revenues of such newspapers, I propose to provide that no disallowance will be made in respect of expenditure on advertisement in any newspaper with a circulation not exceeding 15,000. As there is little scope of any extravagance or wastefulness in statutory advertisements or advertisement for recruitment of staff, I propose to provide also that no disallowance will be made in respect of expenditure on advertisements which fall in these categories.

It has been pointed out that the expressions "publicity" and "sales promotion" are of wide amplitude and should be defined precisely. While an exhaustive definition of these terms is difficult, I propose to clarify that no disallowance will be made in respect of certain items expenditure, including penditure on sales conf ences, press conferences a trade conventions; parti pation in trade fairs and hibitions; establishment ch ges, including salaries staff; catalogues and pri lists. Power is also bei taken to add to these ite through rules framed by t Central Board of Dire Taxes.

Under an existing prov sion in the Income-tax Ac entertainment expenditure excess of specified limits disallowed in computing t taxable profits. It is propo ed to clarify that expenditu on entertainment in conne tion with publicity and sal promotion will continue to b disallowed under the existin provision which is mor stringent that the provisio proposed in the financ bill.

Useful Concession

The bill seeks to disconti nue the grant of export mar kets development allowanc in relation to expenditur incurred after March 3 1978. It has been urged tha this tax concession has playe a useful role in diversifying and stimulating India's ex ports. The process of di versification is, however, fa from complete and continue efforts are required for large exports of our products. The share of the small-scale sector in these exports is o

iderable importance. It been represented that iew of the stiff competi- in world markets, the ort of Indian products is ng challenging problems, ch necessitates continued rketing thrusts on the part our exporters. I have en careful thought to these nsiderations and have deci- d to continue the scheme of port markets development owance with some modifi- tions.

The scheme of export mar- ets development allowance ill now be available only to xport houses recognised by ne ministry of Commerce; mall-scale exporters; and onsultancy firms. Currently, xport markets allowance is ranted at the rate of 250 per cent of the actual expenditure on development of export markets in the case of widely-held domestic companies and at the rate of 133.3 per cent in the case of other taxpayers. I propose to reduce the quantum of deduction in the case of widelyheld domestic companies from 150 per cent to 133.3 per cent. It is also proposed to reduce the list of eligible items of expenditure qualifying for deduction under this provision by omitting two of the existing entries.

The bill provides for a deduction in the computation of taxable income of 50 per cent of the amount invested in equity shares of new industrial companies, With a view to providing a stimulus to house-building activity, I propose to extend this concession to investment in new equity shares of approved companies established for providing long-term finance for construction or purchase of residential houses in the country.

The bill seeks to provide that Indian citizens, who are rendering service outside India and who visit their home country during any financial year on leave or vacation, will not be regarded as resident in India in that year in cases where their stay in the country during that year does not exceed 89 days. Under the provision in the bill, this concession has been restricted to cases where the service of the Indian citizen outside India is sponsored by the central government or the terms and conditions of such service have been approved by the central government or the prescribed authority. I propose to delete this restrictive condition so that this concession becomes available to all Indian citizens employed outside India, irrespective of whether the service of the individual is sponsored by the government or the terms and conditions of such service have been so approved or not.

The finance bill seeks to provide that every person, irrespective of whether he has been assessed to income-tax or not, will have to pay advance tax on a voluntary basis. Under the provision

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in the Bill, all taxpayers, including those who have not been previously assessed to income-tax would be required to make an estimate of the advance-tax payable by them before the date on which the first instalment of advance tax is duc in their case. As it may be difficult for taxpayers who have newly set up a business or profession to make an accurate estimate of the advance tax payable by them early in the accounting year, I propose to provide that new tax-payers, that is, those who have not been previously assessed to income-tax, may contihue to furnish, as hitherto, an estimate of advance tax before the date on which the last instalment of advance tax is due in their case.

Fixed Deposits

The finance bill provides that fixed deposits with banks made after February 28, 1978, will not be regarded as an eligible mode o investment for the purposes of exemption of long-term capital gains. I had introduced this provision because banks were allowing substantial advances against the security of fixed deposits, with the result that tax payers who got exemption from capital gains by making such deposits obtained an unduly large benefit without commensurate sacrifice. On a careful consideration of the representation received against this proposal, I have decided to continue fixed deposits with banks as an eligible mode of investment subject to the fulfilment of certain conditions which are intended to ensure that no loan or advance is taken by taxpapers against the security of such deposits for a period of three years.

The various modifications proposed by me will result in a loss of Rs. 10.5 crores in a full year and Rs. 8.8 crores in 1978-79.

May I now turn to the proposals covering indirect taxes.

Tax on Power

A number of hon'ble members have spoken about the levy of excise duty of two paise per kilowatt hour on electricity generated in the country. I have also received representations from the state governments, state electricity boards and industry. The imposition of a duty on the generation of electricity was with a view to mobilising resources needed for the Plan particularly in view of the large investment in the power sector. It has been brought to my notice that one of the problems faced is that power which is generated cannot be fully utilised and is not entirely available to the state electricity boards. This arises because of the use of power for auxiliary consumption as well as because of transmission losses.

I must make it clear that since the tax on electricity is a tax on production and not on sales, the losses on account of transmission cannot be taken cognition of from the strictly legal pdint of view. However, in view of the practical difficulties involved, I have already exempted the electricity which is used in auxiliary consumption. I purpose to go further and give a uniform reduction of 10 per cent of the duty payable on the current generated after deducing the auxiliary consumption, thus restricting the levy to 90 per cent.

I had already proposed that a rebate of duty would be granted on electricity used for agricultural purposes. In order to simylify the administration of this rebate. I propose to make it available to current supplied by the Electricity Boards and others at their agricnltural tariffs for agricultural purposes.

It has also been urged that there is a time-lag between the production of electricity and the receipt of money from the actual consumers thereof and that, therefore. collection of duty should be regulated suitably. Keeping the normal time-lag in view, instructions are being issued to allow a period of two months within which the producers could pay the duty.

Easy Instalments

Certain difficulties have also been expressed regarding the recovery of amounts resulting from this levy from the actual consumers of electricity in respect of production in the first one or two months beginning from 1st March. While there would be no case for any waiver of the levy itself, I am instructing the Department to allow payment in easy instalments, if need be, of the duty due in those months.

It has been urged that the duty on electricity falls heavily on certain industries. I recognise the need for considering the cases of industries such as aluminium in which electricity forms a large part of the actual cost of production of the goods and the desirability of affording some relief so as to maintain the availability of essential p ducts at reasonable pric This question will be go into at the earliest in cons tation with the concern ministries.

In the case of coal, on t analogy of the exempti granted to auxiliary consu ption of electricity, I propo to exempt from payment duty one per cent of the co produced in the mines.

Hard Coke Exempted

It has been represent that the procedure availing the proforma credit of t duty paid on coking coal us in the manufacture of ha coke is presenting practic difficulties. Keeping this view, I am exempting ha coke from the payment duty. Thus, the actual le will be limited to coking co at seven rupees per tonne a other coals at five rupees p tonne. There will be no re loss of revenue due to the changes.

Hon'ble members will r call that I had proposed reduce the basic excise duty auto-rickshaws used as tax from 12½ per cent *ad valore* to 10 per cent *ad valorem* su ject to the condition that su auto-rickshaws are register with the transport authoriti as taxis for the plying of pa sengers on hire. It has bee represented that most of th auto-rickshaws produced the country are used as tax and that the observance the aforesaid condition is ir some in actual working. therefore, propose to remo this condition.

The modifications which have proposed will result in loss of Rs. 17.43 crores in full year and Rs. 16.19 cror in 1978-79.

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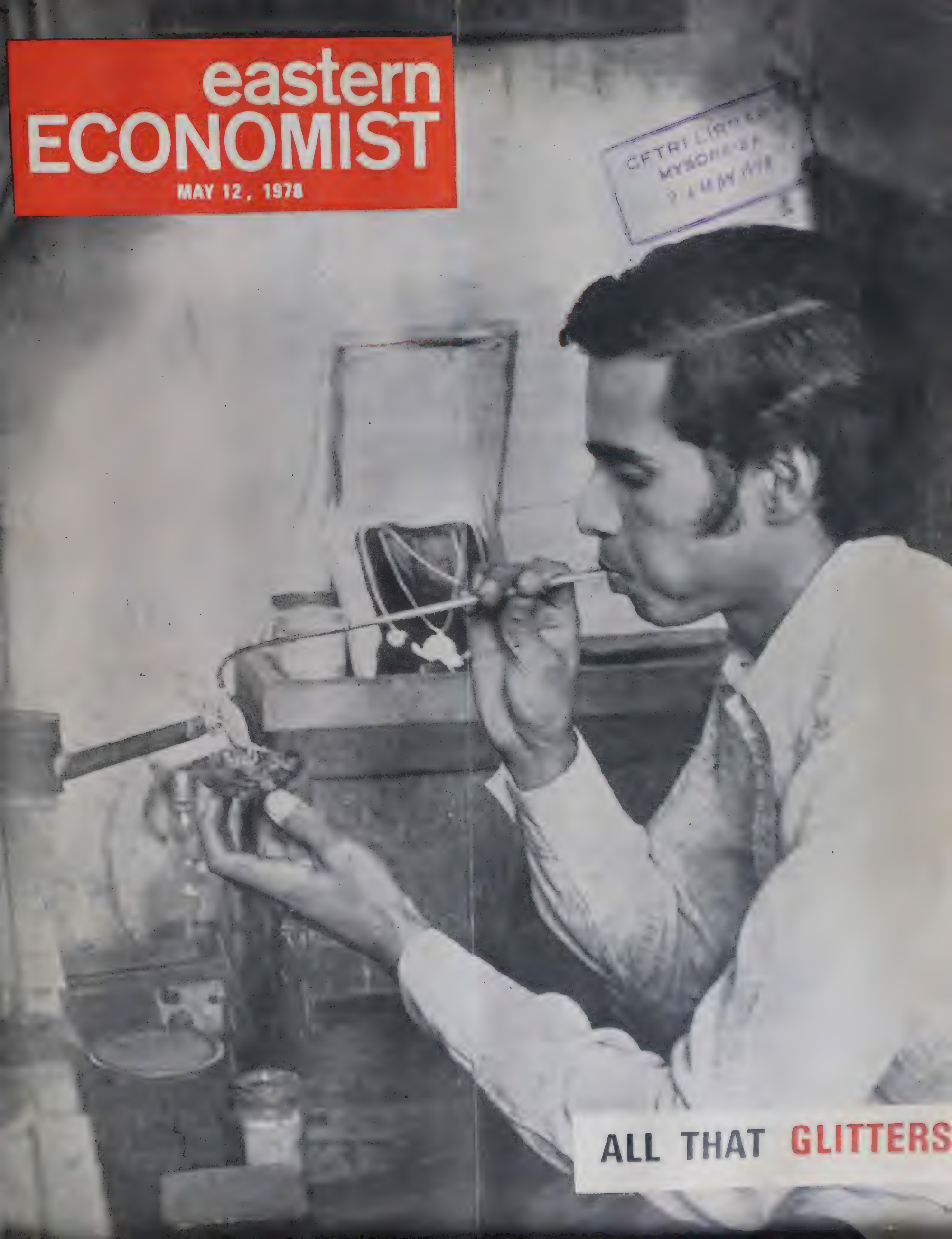

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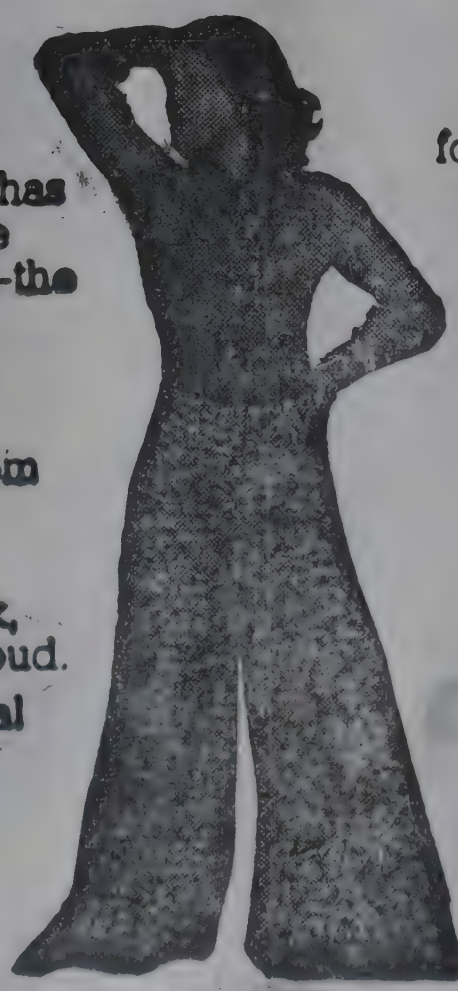

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All that glitters

WITH THE sale of gold by the Reserve Bank of India (RBI), the gold policy of the government has taken a new turn. In fact, ever since the Finance minister, Mr H. M. Patel, had indicated in his budget speech this year that the government had taken the decision to utilize a part of the accumulated gold to reduce the expansionary effect of the budgetary transactions and that the price of the yellow metal would thus be lowered to prevent its being smuggled into the country, the bullion markets all over the country had been anxiously waiting for the details of the scheme for the sale of gold. Bids for the first auction were submitted by the dealers on May 3 and 4 and actual sales took place on May 5, 1978. The delay in the drafting of the scheme for the sale of gold by the RBI had raised its price in Bombay to an all-time peak at Rs 723 for 10 grams on April 23 last. However, with the announcement of the details of the scheme of gold auctions, the price of this precious metal nose-dived to Rs 650 for 10 grams but only to rebound to Rs 700 for 10 grams once again.

The new gold policy is intimately connected with the present position of the government with regard to foreign exchange reserves. It is common knowledge that at present the foreign exchange reserves of our country have crossed the Rs 5,000 crores mark. A number of factors have been at work for this happy trend in our foreign exchange reserves position such as the buoyancy in exports consequent upon world-wide inflation and stability in prices within the country, increased inflow of remittances from Indians abroad through legal channels and the smashing of the rackets of smugglers during the emergency. The incentive for the smuggling in of gold has always been provided to unscrupulous elements in society by the wide disparity between domestic and international prices of the yellow metal. For years smugglers have been active in bringing in gold and other goods clandestinely because they are in a position to offer very favourable rates of exchange to Indian nationals abroad who want to remit funds to their relations in this country. There was a time when these clandestine dealers in foreign exchange could offer more than Rs 30 for the British pound (as against the official rate of Rs 15 only) in London to those Indians who wanted to remit money to their relations in our country.

As stated earlier, it was during the emergency that these rackets were smashed and remittances from Indian nationals abroad started flowing in increasingly through the legal channels. Ever since the oil crisis in the last quarter of 1973, a large number of our artisans and engineers have migrated to west Asian countries also where lucrative employment is available in abundance; a number of these Indian nationals has also been remitting funds to their relations in this country. The remittances thus constitute a powerful source for the continued rise in the foreign exchange reserves.

The price of gold in our country has sometimes shot up beyond the mark of Rs 700 for 10 grams which rate provides more than 40 per cent incentive to smugglers of gold. The Finance minister, Mr Patel, is rightly fearful of an increase in the smuggling activities if the upsurge in gold prices in our country continues. It will also jeopardize the continued inflow of foreign exchange to this country. Therefore, to the extent the sale of gold by the RBI on behalf of the government of India would assist in the continued receipt of foreign exchange from Indians abroad, it is indeed welcome.

The arguments advanced against the sale of gold are too well-known. They were stated—not for the first time—almost 15 years ago by Mr Morarji Desai who was at that time the Finance minister in the late Jawaharlal Nehru's cabinet. The gold policy formulated at that time had two basic reasons—first to wean the people away from the use of the yellow metal and second to reduce the price of gold in the country. Unfortunately, during the last one and a half decades, gold policy of the

government has failed miserably. It has not reduced the use of gold for the manufacture of ornaments and large sections of society in this country continue to hoard their savings in gold and jewellery. The belief that the Indian people would, like the families in the west, be made to realise in due course the futility of locking their valuable savings in gold and ewellery has not come true.

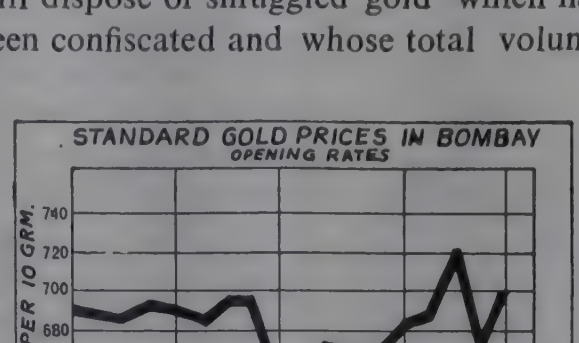
If by any magic the Indian people could be persuaded to disgorge all the gold they have stored either in the form of bullion or jewellery it could certainly throw up substantial capital resources—sometimes estimated at Rs 25,000 crores —for stimulating the Indian economy. But this has not happened so far and according to current indications, it is not likely to happen in the near future. In the light of this trend of events, the government of India is fully justified in adopting a change of policy which came into being on May 5, 1978. By selling gold that it has in its stocks and also by importing gold from abroad, it would be able to ensure a check on the smuggling of gold and the consequent easy availability of foreign exchange resources. The doctrinaire approach adopted and practised for almost 15 years has done more harm than good to the economy. The pragmatic approach adopted by the Finance minister seems to be the most plausible and practical solution under the current circumstances.

sale by tenders

On April 22 the Reserve Bank of India (RBI) publicised the scheme for the sale of gold. It was announced that the RBI would sell gold twice a month on behalf of the government of India. The gold, it was stated, would be auctioned on the basis of sealed tenders to licensed dealers.

The first auction took place on May 3 and 4. The subsequent auctions have been fixed for May 16 and 31, June 14 and 28, and July 12 and 26. No dealer will be permitted to bid for less than 1000 grams and more than 5000 grams at any auction. The bidder will be required to indicate the quantity of gold and the price at which he is willing to buy. At each auction, the RBI will fix a reserve price of gold; tenders below that price will be rejected. Even though, the quantity of gold to be sold at each auction was not made known while publishing the scheme, at the first auction 492.6 kg of gold was sold.

In the first instance, the government will dispose of smuggled gold which has been confiscated and whose total volume



is estimated to be around 25 tonnes. The stocks of this gold will be supplemented by gold received from the Kolar goldfields and Hutti mines. The government has not indicated its policy in regard to the import of gold when the indigenous stocks with the government are exhausted but it is a foregone conclusion that the government will be obliged to import gold worth 10 to 20 crores of rupees every month if it is keen to continue to receive remittances from Indian nationals abroad through banking channels and is desirous of not allowing the smuggler to raise his ugly head.

Broadly, the gold auctions in this country follow in the footsteps of the IMF auctions with the difference that the IMF indicated the volume of gold to be sold at each auction which the RBI has not done so far. For instance, in the case of IMF sales of gold on April 5 this year, awards to successful bidders were made at the price actually bid ranging from US $ 177.61 to US $ 180.26 an ounce; the RBI sale prices at the first auction varied from Rs 620 to Rs 663 for 10 grams.

The first auction did cause considerable confusion because out of the 416 bidders, only 229 were successful. The RBI rejected the rest for a variety of reasons. It is legitimate to expect that at the ne auction on May 16, the number of va bidders will be larger and the volume gold sold also will be much more th what was disposed of at the fi auction.

The meagre quantity of gold sold at t first auction did not depress the mark according to expectations. For the pa many days, the supply of gold by th smugglers had dwindled while the mark demand had increased due to the bu season. This is the time when the farm in the northern states has cash in han after having disposed of the kharif cro and is keen to solemnise the marriag of his grown-up children. That is wh the demand for gold in the north brisk. If the price of gold has not falle after the first auction, it means that th gold sold so far is far less than th market demand. After a couple of auc tions, it is bound to ease.

In recent years, the value of our ge and jewellery exports has been on th increase. In 1976-77, the level of the exports at Rs 242 crores had occupied th fifth rank after engineering goods, tea iron and steel and garments. The dra Plan for the period 1978-79—1982-8 envisages an average annual export o gems and jewellery at about Rs 400 crore Hitherto, gems have constituted a lion' share of these exports but as soon as th scheme for the sale of gold to jeweller exporters is finalised, the share of gol

The new flexible image

ellery is expected to increase subs-
ially. In the west Asian countries in
icular, the styles of jewellery manu-
ured in our country are extremely
ular. If the exporters of jewellery
provided with gold at international
es with the condition to export the
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possibilities of not only earning 25
50 per cent additional foreign ex-
nge but also in generating additional
ployment opportunities in a craft
ich has been languishing for the past
years. The mark-up in jewellery export
ces in relation to the price of gold
ies with the type of craftsmanship
volved but it cannot be less than 20 to
per cent in any case. And the export
de can certainly provide means of
elihood to a few thousands of families
goldsmiths. In the wake of the gold
ntrol policy, the goldsmiths in this
untry had steadily started giving it up
a profession. It had naturally raised
e fear that the craftsmanship of certain
eas would completely fade out in the
urse of time. The anticipated revival
the export of gold jewellery has once
gain generated the hope that the crafts-
en of the yellow metal spread over the
hole country possessing their own
eculiar capabilities will continue to live
nd will not die out.

lure of gold

In such industrially advanced countries
s the USA, the lure for gold has almost
isappeared. But it has taken a long time
nd substantial improvement in standard
f living of the people to bring about this
change. Nearly 77 years ago—on March
4, 1900, to be precise—the official price
f gold in the USA was fixed by the Gold
Standard Act at $20.67 an ounce. At that
ime, gold did form the basis of the mone-
ary system i.e. dollars could be convert-
ed into gold at the stipulated rate. For
nearly 33 years, the price of gold remain-
ed pegged at that rate. It was on January
31, 1934, that President Roosevelt raised
the price of gold to $35 an ounce. Earlier,
in 1933, the American citizen had been
forbidden to possess gold bullion.

The new price of gold had no meaning
for the American citizen because he could
not get his dollars converted into gold
at the official rate. In fact, he could not hold gold in the form of bullion. The outside world, however, was assured that the dollar could be redeemed at the rate of $35 an ounce. In fact, the cornerstone of the Bretton Woods agreement (according to which the International Monetary Fund was born) was the rigidly fixed rate of exchange for each currency which, in turn, was translated in terms of gold at US $35 an ounce.

The USA continued to honour this commitment till 1968. By that time, the US stocks of gold had been halved to $11 billion at the official rate of exchange. President Nixon evolved a two-tier system according to which only the central banks of other countries could get their dollars

Sale of Gold is a Practical Proposition

M. R. Pai

While some of the budget proposals like partial disallowance of expenditure on advertisements and sales promotion have irked the business community in Bombay, one proposal which has been well received is that of sale of gold by the government. Bombay being one of India's leading centres for gold sales and for export of jewellery, traders here have naturally lauded this proposal which will put more money into their pockets. Support comes also from some leading economists who have no personal interest in the practical economics of gold sales.

The argument by Mr D.R. Pendse, economic adviser to a leading business house, who had strongly pleaded for gold imports a few months ago, is simple. Gold imports and sale is a practical proposition purely from an economic angle. Government will get about Rs 2 crores for every tonne of gold owing to the difference between the internal and international price of gold. Surplus money in the hands of the people, especially in rural areas, will be absorbed by the government in this manner. We have large foreign balances. High priority items like machinery, and capital goods are not imported even if the government is willing to give licences for them. Around Rs 150 crores of foreign exchange are received every month from semi-skilled and unskilled Indians abroad. Their families get rupee equivalent of foreign exchange but have no use for this foreign exchange. The government of India needs foreign exchange for its massive development programme, but has no rupee resources. So why not sell gold to the people who need it and get foreign exchange? The amount should be set apart in a fund for rural development, Mr Pendse suggests.

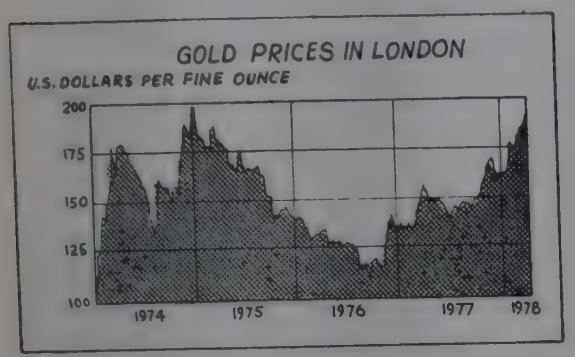
Mr Shantilal N. Sonawala, vice-president of the Bombay Bullion Association and author of several articles on gold asks for a realistic policy. Even Reserve Bank and government officials who plead for gold control come to jewellers for gold jewellery for weddings in their family! At least 60 tonnes of gold are required every year for about 20 lakh weddings! He argues that instead of opening opportunities for the smugglers to fulfil this inevitable need, government should import and sell gold.

He suggests sale in limited quantities to 12,000 licensed dealers who in turn will pass it on to goldsmiths. This way, a track of gold can be kept. Mr Sonawala also suggests that for individual holding declaration limits should be reduced from 2,000 to 1,000 grammes and 4,000 to 2,000 per family. Wealth tax to government will increase, he comments.

Mr B.S. Mahajan, himself a leading jewellery exporter and a founder of the All-India Sarafa Association in 1963, pleads for total abolition of Gold Control. He warns that unless bureaucratic procedures are simplified, any scheme for import and sale of gold by the government will not work.

Mr Mahajan is of the view that Gold Control should be totally scrapped as it does not serve any purpose. The various books that licensed dealers have to maintain will anyway be maintained in that business. If the government declares an amnesty to holders of gold on the lines of the Voluntary Declaration Scheme, considerable gold will be unloaded on the markets by people who are holding it at the moment. He feels that gold price has reached a saturation point and unless international prices move up, there is no likelihood of any appreciation of gold price in India. At the moment, smuggling through country craft has almost stopped, because, the margin of 35% between the international and domestic price is not sufficient for the smugglers. This margin should at least be 45% to cover 10% insurance, 10% seizure costs and 25% net returns. Some people are of the view that whatever gold is smuggled into the country is mainly through diplomatic bags whereby insurance and seizure costs are avoided but for obvious reasons it is not possible to testify it.

redeemed in gold while the private operators were denied this facility. Consequently in the free markets of the world, the price of gold started shooting-up. In 1971, President Nixon stopped the sale of gold to foreigners altogether. The price of gold notionally was raised to $38 an ounce in December 1971 and further to $42.22 an ounce in February 1973. By that time, the Bretton Woods agreement on foreign exchange rates had completely



collapsed and all the currencies of the world had started floating.

The price of gold rose to $200 an ounce but declined when the IMF started sales of its gold. At the time of writing, it is fluctuating around $170 an ounce. The announcement by the Finance minister, Mr H. M. Patel, on February 28 this year that the government could commence sales of gold in the domestic market, caused a flutter in the international gold markets of the world such as London and Zurich. The speculators in these markets were of the view that the demand for gold would drop because the measure taken by the government of India would reduce the smuggling of gold into this country; hence there was a perceptible drop in gold prices in these markets.

The official price of gold in the USA continues to be $42.22 an ounce which, in fact, is no more than an academic exercise. While the world price of gold is well above $170 an ounce, the US government seems to derive some comfort in evaluating its gold stocks at $42.22 an ounce. Strange are the ways of the governments! Even in our own country, the Reserve Bank of India put the value of gold in its stocks at Rs 53.58 for 10 grams up to May 1966 and at Rs 84.39 for 10 grams thereafter; even today, it evaluates its stocks of gold at that price even though the price at which it has started selling gold since May 5 is seven to eight times the notional price.

At the international level, there has been a persistent effort to dethrone gold from the high pedestal it has occupied always. The birth of the Special Drawing Rights (SDRs) was hailed a few years ago because it was believed that the growth of international trade would not be hampered by the paucity of gold and that the SDRs—popularly known as paper gold—would dispense with gold as a medium of exchange. And it is true that the use of SDRs in international trade is steadily growing.

What is the total stock of gold in the world? This is a very difficult question to answer. The socialist countries do not disclose the sizes of their gold hoards though in times of distress they do unload sizeable quantities of the yellow metal in the free markets of the world so as to buy foodgrains and other essential goods. Rough and ready estimates put the total world stocks of gold between two and three billion ounces. If these stocks are evaluated at the notional price of $42.22 an ounce, the dollar value of gold hoards in the world varies betwe $85 billion and $125 billion. Out of th the USA is estimated to have around $ billion worth of gold while other gover ments and central banks in the non-co munist countries are reported to ha gold valued between $35 billion and $ billion. The annual addition of go stocks is around $50 million ounc worth two billions of dollars at t notional price of gold. The largest pr ducer of gold in the world is Sou Africa which is responsible for nea three-fourths of the annual addition gold stocks. The other countries whi produce substantial quantities of go every year are the USSR and Canada.

The demand for gold for consumpti originates in the jewellery shops of t world followed by the dentists. Late the consumption of gold in the manufa ture of electronic components has al sizeably increased. But the bulk of t demand for gold is due to the lust for th metal in many countries where it is hoar ed as a store of value. There is the co mon belief that the market price of go in the long run takes into account t inflationary trends all over the worl After 1968, the speculators in gold

Eastern Economist 30 Years Ago

MAY 14, 1948

It was a better week this time in the local stock market. It was mainly on account of the steadiness in security section, where except today, conditions were cheerful following official support for most of the scrips. 3 per cent (1986) came upto Rs 99.10 and though they were a few annas lower today sentiment in the section continues to be steady. Jute has been another active counter, though far less than expected working on the bonus issues of the four companies in the Jardine Henderson group. The industry itself possibly has better day to look to, what with the removal of export restrictions and the possibility of better conditions of trade. if the present inter-Dominion consultations succeed. Next season's jute crop is normal and if every thing goes well a good year is in store for the industry and trade. The market has been, h ever, fickle in lending support to the jute scr The best price for Howrah, for example, only Rs 83.8 during the week, Reliance Rs 8 Kanknarrah Rs 525 and Kamarhatty Rs 6 If one remembers that it was recently tha sizeable dividend declaration for the first and a generous bonus scheme for all four were announced and if one also shares above mentioned hope of better prosp for the whole industry in the days to com passes understanding as to where comes snag which prevents better support to this tion. It is at the same time difficult to that the market is weak for even with s increases in prices sellers are seen holding for still better quotations—and that is a symptom of weakness.

r the world have made big profits ause of the spurt in the price of the low metal. And there are many governnts who consider gold as the safest estment as a store of value which in long run appreciates in value. SDRs slowly taking the place of gold in the settlement of international debts but it remains to be seen how far they will completely displace gold. Initially, the SDRs were also computed in terms of gold but now they are expressed in terms of a weighted average of exchange rates of the major currencies of the world.

Improved packaging for reducing waste

THE EMPHASIS placed by the minister for Commerce, Mr Mohan Dharia, as well as Mr M.C.T. Pethachi, chairman of the Institute of Packaging, at the last week's seminar, organised here by the institute, on consumer protection through better packaging, on improving packaging standard and research and development activity in this field is not misplaced. The patterns of packaging in our country have changed very slowly. Notwithstanding the fact that the new packaging materials such as plastics, aluminium foils, etc, have come to be utilised in an increasing manner, as is reflected by the development of the manufacturing capacities in these lines, overwhelming dependence still continues on traditional materials such as jute products, paper and paper board, timber, glass and metal containers.

different preferences

The packaging preferences in our country, of course, are not the same as abroad. So far as bulk and medium-sized packaging is concerned, the re-use of containers by and large is the practice rather than an exception. Instances are not found wanting of the general consumer going in for such packaged articles in the case of which after the first use, the containers can be utilised for various other purposes. But this does not imply that single-use containers cannot make much headway.

The growing urbanisation of the country and the consequent multiplication of internal trade itself calls for a serious look at improving packaging standards if for no other reason than for avoiding wastages in transit. Mr Mohan Dharia pertinently pointed out at the above-mentioned seminar that five to seven per cent of our cement output is being wasted currently as it is still being packed in gunny or paper bags, Only if this wastage could be avoided, he said, there would have been no need of effecting imports to bridge the gap between demand and indigenous supplies. Mr Pethachi mentioned in his address that about 12 million tonnes of foodgrains and 10 million tonnes of fruits and vegetables were wasted in the country at present because of poor packaging. Startling figures indeed! The situation aggravates further if note is taken of the fact that poor packaging helps pilferage also. Proper bulk packaging of various consumer items itself can have a salutary effect on the containment of the price spiral; to the extent wastages can be avoided, supplies would get augmented.

useful role

As was pointed out at the seminar, proper packaging has a very useful role to play in consumer protection. Pilferage-proof packaging can ensure supplies to the consumer in correct weight and according to the indicated qualities. But a significant point to be noted in this connection is that the packaging costs have to be kept as low as possible so that the consumer can be induced to go in for more and more packed materials instead of buying them in the loose form.

Improving packaging techniques in regard to export items, of course, is much more important, as improved packaging not only enhances the appeal of the product but also helps in increasing the unit value of exports. Consumer preferences abroad are changing fast. If we fail to keep ourselves fully abreast of these changes, we may not be able to squarely compete with such countries as Taiwan and South Korea.

It is interesting to note that one of the reasons for the State Trading Corporation of India not resuming exports of sugar this year as yet is its search for the ways and means of meeting the foreign buyers' preference for 50 kg standard type lined bags, instead of 100 kg jute bags being used for this purpose at present. Poor packaging, it may be mentioned, was also one of the reason for our exports of cement recently suffering a setback to the west Asian markets. The packaging of exports, therefore, has not only to take into consideration the consumer preferences abroad but also the changes taking place in the shipping industry in respect of handling of materials.

fiscal concessions

In view of the limitations of increasing the supplies of natural packaging materials such as timber, man-made materials obviously have to be used in increasing quantities. The production of such materials needs to be encouraged even through grant of fiscal concessions. This can have a healthy impact on the employment situation, as production of these materials can be extended to the small-scale and cottage industries sectors.

The basic raw materials, of course, should be produced in the large-scale sector in the interest of containing costs. Several local materials which go waste at present such as rice husk and vegetable wastes, can be profitably utilised to produce inexpensive packaging materials. To some extent, this has already been done in the form of developing fruit packaging cases from pine needles. But there is still very good scope for making increased use of the locally-available cheap materials.

Facilities for the small-budget tourist

THE LAYING of the foundation-stone for the 1,250-bed janata hotel at Windsor Place in New Delhi recently is indeed a significant development in the tourism industry of our country. The 20-storey hotel, which will be one of the tallest buildings in the capital will make available to the modest budget tourist a place to live in the heart of New Delhi at a reasonable price. It reveals a new trend in government policy because the foreign exchange earned through tourism is not to be the only aim in expanding this industry. The modest budget tourists from universities and other enlightened groups help to project a good image of this country abroad, which also is an important outcome of tourism. When this hotel is completed, it will accommodate more Indian and foreign tourists than perhaps all the five-star hotels in New Delhi put together.

facility restricted

The announcement made by the minister for Tourism and Civil Aviation, Mr Purushottam Kaushik, that the government would no more assist the construction of additional four-star and five-star hotels also indicated a new look at the tourism industry. The limited resources available for tourism would be used entirely for the creation of facilities for domestic and foreign tourists in the middle and low income groups. Referring to the misgiving in certain quarters about the viability of janata hotels and their acceptability by foreign tourists, the minister aptly stated that a tourist primarily required a clean and comfortable room and proximity to the centre of the city. If these requirements are met, there should be no reason why foreign tourists would not patronise the janata hotels in comparison to the high-cost multi-star hotels.

The total number of rooms available to tourists in the approved hotels in the country at the end of 1978 is likely to be 18,700. Another 4,000 rooms are under construction. In addition, the construction of 15 youth hostels and 11 tourist bungalows, the establishment of holiday resorts at Gulmarg and Kovalam and the development of facilities in selected wild life sancturies has expanded the accommodation for tourists sizeably.

increasing numbers

The number of foreign tourists arriving in the country has increased from 20,000 in 1951 to about 641,000 in 1977. During the previous five years, the growth rate was around 12 per cent per annum. There has been a steady increase in the destination tourist arrivals whose share has registered a rise from 43 per cent in 1964-65 to about 74 per cent. The average stay per tourist has also increased over the years. The major factors contributing to the growth of international tourism to this country include improvement in infrastructural facilities, introduction of concessional fares by airlines and railways and tourism promotional activities abroad.

The overseas promotion of tourism has been undertaken through advertisements in the press, television and radio. Film shows and exhibitions in different universities, cultural and religious institutes and department stores have been arranged. During 1977-78 nearly six million units of tourist publicity literature in English, French, German, Italian, Spanish, Japanese, Thai and a few other languages were produced at a cost of Rs 76 lakhs and distributed at various places. Literature has also been produced this year in Arabic and Persian for use in the fast developing markets of west Asia. The quality of this literature has continuously improved with the result that the ITDC posters on 'Kathakali', 'Madhubani Painting' and 'Children in Agartala' won gold medals at the international Tourists Posters Exhibition at Milan.

The department of Tourism has been opening a number of offices abroad to provide information and facilities to the incoming tourists. There are now 18 overseas offices located at New York, San Francisco, Chicago, Toronto, London, Geneva, Paris, Frankfurt, Brussels, Stockholm, Vienna, Milan, Sydney, Perth, Singapore, Tokyo, Bangkok and Kuwait. Besides these offices, six tourist promotion offices have been located at Washington, San Francisco, Miami, Dallas, Melbourne and Tehran.

The role played by the travel agents and such other institutions associated with the tourism industry has also been significant. This country is a member of World Tourism Organisation (WTO), originally called International Union of Official Travel Organisation (IUOTO) and its South Asia Regional Travel Commission (SARTC) and Pacific Area Travel Association (PATA). In fact the PATA annual convention held in New Delhi in January 1978 proved to be the biggest tourist conference held in this country. As many as 1,600 delagates including tour operators, travel writers and journalists attended this conference. This provided an opportunity for bringing India's tourist attractions to the notice of leaders of travel industry.

consolidating gains

During the next five years it has been proposed to consolidate the gains already achieved through marketing and also to develop tourist facilities in a coordinated manner. The annual growth rate of foreign tourist traffic in the next five years is likely to rise to 15 per cent. On this basis the tourist traffic is expected to increase from the present 641,000 in 1977 to around 1.23 million in 1982 and the requirement of additional hotel rooms has been estimated at 17,000. To meet the additional demand of rooms some more hotels will have to come up. The government is encouraging the private sector to come forward with proposals to build medium-budget hotels. A provision of Rs 6.44 crores has been made for "interest subsidy" on loans to be advanced by the financial institutions to hoteliers for the construction of hotels.

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CAPITAL'S CORRIDORS

R. C. Ummat

Rural industrialisation • Saleable steel production and plans • Janata party dissensions

THE OPTIMISM expressed recently by the minister for industry, Mr George Fernandes, about the setting up of district industries centres (DICs) in at least 400 out of the 460 districts in the country by the end of the current year may not materialise. Mr Fernandes revealed a few days ago that 120 such centres had already been se up and another 50/60 would be established by the middle of this year. By the end of the year, their number would have multiplied to 400.

These centres are being established as the focal points for the provision of all assistance required by the small-scale, cottage and rural industries, particularly those belonging to the tiny sector. They are to be manned by technical experts in various disciplines with a view to identifying the particular industries which have a scope for development in different areas, arranging of inputs (including finance) and rendering assistance also for the marketing of products.

lingering doubts

The doubts about the accomplishment of the target set by the minister arise because what has been done till now is primarily the conversion of the 112 or so centres which had been set up since 1974 to the end of March 31 last under the Rural Industries Projects (RIP) programme. Not that such a conversion was not envisaged. The new policy for fostering industrial activity in the rural areas had proposed to convert the existing RIP centres into district industries centres by strengthening them suitably in the light of the new role expected to be played by them. Under the RIP programme, the RIP centres were being multiplied to cover the entire country in a phased manner. But as mentioned above, it took nearly four years to establish 112 such centres in 22 states and union territories. If the DICs have to be manned by really competent personnel, their multiplication to about 400, indeed, is not going to be an easy task. What is more important is that if the ambitious programme of fostering rural development through the setting up of small-scale, cottage and rural industries has to succeed, the DICs ought to be manned not only by really competent persons but also they should have dedication and missionary zeal. It also remains to be seen how far the political pulls in the selection of these personnel will be contained.

unsatisfactory progress

The progress registered under the RIP programme during the four years to 1977-78, however, has not been entirely unsatisfactory. The programme is estimated to have been helpful in increasing the number of industrial units in the rural areas from 156,832 in 1974-75 to 174,444 in 1975-76, 193,800 in 1976-77 and 215,100 in 1977-78. The total capital investment in these units in the four years aggregated to Rs 247.22 crores, Rs 303.04 crores, Rs 364.44 crores and Rs 431.98 crores, respectively. The gross value of their production went up from Rs 320.28 crores in 1974-75 to Rs 385.26 crores in 1975-76, Rs 456.74 crores in 1976-77 and Rs 535.37 crores in 1977-78. The number of persons employed by them during the four years was 467,825, 540,436, 620,300 and 708,200, respectively.

If the experience of the RIP programme is any guide, the misgivings being expressed in some circles that the ambitious programme of multiplying small-scale, cottage and rural industries wi require massive financial assistance fro the government or financial institution and banks may prove to be unwarranted Of the total investment in the unit covered by the RIP programme in March 1976, amounting to Rs 303.04 crores, th government loans accounted for only 5.3 per cent and assistance from banks an financial institutions for 23.84 per cent The balance 70.78 per cent requirement were met by the entrepreneurs themselves

An interesting point to be noticed about the RIP programme, as administered hitherto, is that out of the 112 projects which had been set up by the end of the last financial year, 92 projects were located in the industrially backward districts.

* *

With a view to ensuring adequate supplies of power to the Durgapur and Bokaro steelworks, the ministry of Steel is understood to be considering significant augmenting of in-plant power generation capacity at the two projects. It is also proposed to import about one million tonnes of low ash content coking coal to supplement indigenous supplies in an effort to improve the working of the integrated steelworks.

The production of saleable steel at the six integrated steel plants during 1977-78 is stated to have fallen short of the target set for the year by about 0.48 million tonnes, the actual production recorded being 6.89 million tonnes as against the target of 7,37 million tonnes. The Bhilai, Rourkela, and TISCO works marginally exceeded the targets set for them, but there were significant shortfalls in the output compared to the targets set for the Durgapur, Bokaro and IISCO works. This is evident from the following table :

Saleable Steel Output in 1977-78

(In thousand tonnes)

Plant	Target	Actual	Variance
Bhilai	1,925	1,930	(+) 5
Durgapur	1,000	864	(—)136
Rourkela	1,170	1,178	(+) 8
Bokaro	1,048	815	(—)233
TISCO	1,550	1,601	(+) 51
IISCO	680	506	(—)174
Total	7,373	6,894	(—)479

he production of saleable steel is ed to have been adversely affected year by a number of factors. These uded:

i) Frequent restrictions—interruptions the supply of power, particularly at the karo, Durgapur and IISCO works.

ii) Certain problems relating to coking al supplies, both in terms of quantity d quality.

(ii) Strikes at the Dugda and Bhojudih al washeries in October, 1977, and rtial strike in Bokaro by a section of orkers in February/March, 1978.

Close and constant liaison, of course, is ated to be being maintained by the eel Authority of India with the ministry Energy, the DVC and the coal supplying gencies with a view to securing improv- d supplies of power and coking coal.

The production plan for the current nancial year envisages the raising of the utput of saleable steel from the six ntegrated steelworks to 7.676 million onnes—11.3 per cent more than the out- ut recorded last year.

The Bokaro steelworks is expected to e expanded to 5.5 million tonnes ingots capacity by 1982-83. The alloy steel plant t Durgapur is proposed to be expanded o 160,000 tonnes ingots-making capacity rom 100,000 tonnes capacity at present. The Salem special steels plant is envisag- ed to be completed during this period to its first stage which will enable it to pro- duce 32,000 tonnes of cold-rolled stainless steel sheets and strips.

* *

Although the Janata party leadership discounts any possibility of a split in its ranks and is confident of effectively tack- ling the pressures that have developed in several states recently, the image of the party undoubtedly has suffered some setback.

A sizeable number of legislators of Haryana have revolted against the leadership of the state chief minister, Mr Devi Lal. Two ministers of this state, Mrs Sushma Swaraj and Mr Tara Singh, as well as the chief parliamentary secretary, Mr Jagannath, who owe their allegiance to the dissident group, are reported to have submitted their resignations to the party president, Mr Chandra Shekhar under advice to the chief minister.

In Uttar Pradesh, the minister for Local Self Government, Mr S.P. Malaviya, has been dismissed from the state cabinet by the governor on the advice of the chief minister, Mr Ram Naresh Yadav. This step is stated to have been taken by the chief minister without consulting either the Janata party president or the parliamentary board. Mr Yadav has also expanded his cabinet by inducting two new ministers of cabinet rank, three ministers of state and two deputy ministers and has elevated one deputy minister to the rank of minister of state.

In Madhya Pradesh, two general secretaries of the state Janata party, Mr Raghu Thakur and Mr Akhand Pratap Singh, have been suspended by the president of the state unit, Mr K.B. Thakare, on the ground that they had started organising parallel district ad hoc committees. This step was also said to have been taken by Mr Thakare on his own on the consideration that the organisation of parallel district ad hoc committees by the two suspended general secretaries had been frowned upon by the central leadership.

new party formed

Earlier, Mr P.C. Sen, the West Bengal Janata chief, had resigned from the party and had formed a new party of his own, called the West Bengal Janata Parishad. The difficulties which the Bihar chief minister, Mr Karpuri Thakur, has been facing for several months are too well known to be recounted.

Much more significant, however, has been the step taken by the union Home minister, Mr Charan Singh, in submitting his resignations from the national executive and the parliamentary board of the party as a protest against the moves to oust the chief ministers of Haryana and Uttar Pradesh. Submitting his resignations from the two party posts, Mr Charan Singh, who has been ailing at the All-India Institute of Medical Sciences for several days, has alleged that the dissidents had been encouraged by a section of the central leadership of the party.

An interesting point to be noted about the above developments is that the dissidents' moves, particularly in Haryana, Uttar Pradesh and Madhya Pradesh, have been spearheaded by the erstwhile socialist group. The chief minister of Haryana and Uttar Pradesh belong to the former BLD group in the Janata party and the chief minister of Madhya Pradesh to the erstwhile Jana Sangh group. Mr P.C. Sen is the old Congress(O) leader. Mr Karpuri Thakur belongs to the former BLD group.

forgetting the past

The central leadership, which has already initiated moves to defuse the situation, of course, is confident that the matters will be sorted out amicably. The prime minister, Mr Morarji Desai, has attributed the above tendencies to the internal dissensions common to all national party in the country and has expressed the view that although the Janata party came into existence through the merger of the erstwhile Congress(O), the Jana Sangh, the BLD and the Socialist party, they had yet to fully forget their past. The complete amalgamation of the various constituents of the Janata party, according to him, indeed, is a time-consuming process. The current dissensions, he felt confident, would ultimately disappear and gradually galvanise the different factions into the strong single party through the efforts of the moderates. The minister for External Affairs, Mr Atal Behari Vajpayee, has expressed the view that Mr Charan Singh would ultimately withdraw his resignations from the party posts.

The central leadership is expected to take some hard decisions in the next few days to prevent organisational affairs from drifting into chaos. Discipline needs to be urgently restored to the Janata party ranks. The sooner it is done, the better it would be. The Janata party came into existence at a crucial juncture in our history when despotic tendencies were gathering momentum. The consequences of its failure can well be imagined.

Multinational corporations: a boon or a curse?

Dr (Mrs) L. Jayalakshmi

Multinational companies, according to the author, who is Reader in Economics, PSG College of Arts and Science, Coimbatore, facilitate speedy flow of capital into needy economies accompanied by new technology. At the same time, the author says, the modus operandi of MNC's has been under severe attack from the host countries and the United Nations had to set up a commission to keep a check on their activities.

THE ASTONISHING technological advances, new management methods, quick transport and rapid communications have helped international business to assume huge dimensions in the guise of multinational corporations (MNCs). "Any business corporation in which ownership, management, production and marketing extend over several national jurisdictions is called a multinational corporation" (Gilpon, 1976)".[1] They are known as extranational enterprise, transnational company, cosmocorp and a host of other names.

Internationalism is a trend of our times. We see it in the form of such organizations as EEC and OECD. We even see it in the slowly growing detente between USA and Russia which are trying to trade and join in cooperative ventures in space and ecological research. Further, the United Nations Organization as the global body has been striving to create a world of humanity and not of nations through its various policies and programmes.

growing understanding

The formation of various agencies like WHO, FAO, ECAFE, UNDP etc., the demarcation of 1950-60 and 1960-70 as the first and second Development Decades, the celebration of 1974 as the international population year with the motto "The world belongs to the humanity" and a host of other activities bring to light the concern, care and commitment that the UN has in making this earth a good place for the habitation of humanity. Despite the cross-winds of nationalism, regionalism, and blocism, one could feel the growing understanding that our's is really an indivisible world. Thus, the MNC is a right movement within the concept of global planning. In many ways, MNCs have been in the vanguard of this movement towards internationalism by helping to build a new world economic system—one in which the constraints of geography are going away—sometimes reluctantly to the logic of efficiency.

The present global society is being confronted with a coterie of problems—pandemic inflation, sky rocketing oil prices, scarcity of raw materials, disequilibrium in international payments, poor harvests, rising unemplopment and poverty with all its attendent evils. In

POINT OF VIEW

such a world, ridden with shortages and scarcities, the demand for goods of every kind is multiplying almost at a geometric rate, while world resources remain finite. It is here that we need a means to use those resources with the maximum efficiency and with a minimum of waste. It is in this context that the MNCs provide mankind with a valuable instrument in terms of economies of scale, technological leadership, market strategy and the privileged access to raw materials.

Another seminal problem of mankind is the skewed distribution of the world's resources, both material and human. What is needed are mechanisms whereby those resources can be identified, managed, and more equitably distributed. MNCs have the mechanism to effect the harmonious combination of factors wit optimal output and minimal cost.

In essence, MNCs can be taken as th most powerful organizations in the worl As special entities they have certai unique characteristics such as the size an geographical spread, the multiplicity activities, command and generation resources, and the use of such resource to fulfil their objectives which are corpo rate growth and profitability. In brie MNCs are business enterprises having network of operations in many countrie with centralised decision-making autho rity and global strategy of conducting it manifold business, As Bhatt (1977 describes "they wield enormous powe and influence through their size, resource and contacts with governments an business partners".

base of multinationals

Most of the MNCs belong to the fou major exporting countries—USA, UK France and West Germany. Howeve USA is the single largest owner of MNC in the world. Table I substantiates thi fact.[3]

As can be discerned from this table eleven of the fifteen largest MNCs ar American, although the corporations o other industrial powers are among th oldest MNCs. The huge America ownership of MNCs can be attributed t the dynamism of the American people the decline of European and Japanese in fluences and the steady compression o time and distance owing to advances i communication and transportation. To these one must add the traumatic ex perience of the world wars and th external challenges first of fascism an then of communism which awakene American business and political leade ship to their stake in the outside world.

An idea of the foreign investment o the MNCs will throw light on the dimen sion of ownership nation-wise.

Table II reveals that by early 1970 US had become the major owner o

NCs in the world. It is said that she s become more of a foreign investor an an exporter of domestically manuctured goods.

How do these MNCs operate? They ke advantage of pauper labour, raw aterials availability and lenient labour ws prevailing in most of the less deveped countries (LDCs). They create ternationalization of production by ransforming the raw materials produced one group of countries with the labour nd plan facilities in others to manufacure goods and sell these goods in good narkets. The fruits of science in the orm of instant communication, quick ransport, computers, modern managerial echniques etc. have been helping them in reshuffling resources and altering the pattern on almost a month to month basis in response to shifting costs, prices and availabilities. Hence, the political boundaries of nation states are too narrow and constrictive to provide adequate scope for their large scale operations. Therefore, "MNCs have been spreading in the world with substantial freedom, producing and selling their goods in a multiplicity of national markets and begetting corporate offsprings of various nationalities in unlimited numbers" (Ball 1975).[5]

In retrospect, one could see these MNCs as representing the best hope for the future not because growth by and of itself is desirable, but because many of its by-products are like creations of new jobs, new wealth and higher living standards which in turn result in closing the various gaps—economic, educational and technical—that have always fueled human jealousy of hatred and conflicts. In sum, they facilitate the speedy flow of capital into needy economies, with accompanying flow of technology and betterment of economic and social conditions.

But the *modus operandi* of MNCs has been under severe attack from the client nations themselves. Their contention is that the MNCs do not carry on their operations in conformity with the national policies, objectives, priorities and goals of development. They are seen as a rival to the national state whose authority they overlap. The recent political coup in Chile instigated by MNCs is a solid proof of their belligerent behaviour and hostile attitute towards the host country. This amounts to an intrusion of the foreign policy of the home country into the policy of the host country. In other words, it is the "extra-territorial" application of policies, laws and regulations of the home countries into those of the host countries.

TABLE I

The Top Fifteen Multinational Corporations

Company	Corporations' total 1971 sales (Billions of dollars)	Foreign sales as percentage of total	No. of countries in which subsidiaries are located
General Motors	28.3	19	21
Exxon	18.7	50	25
Ford	16.4	26	30
Royal Dutch Shell*	12.7	79	43
General Electric	9.4	16	32
IBM	8.3	39	80
Mobil Oil	8.2	45	62
Chrysler	8.0	24	26
Texaco	7.5	80	31
Unilever*	7.5	80	31
ITT	7.3	42	40
Gulf Oil	5.9	45	61
British Petroleum*	5.2	88	52
Philips Glocilampex fabricken*	5.2	N.A.	29
Standard oil of California	5.1	45	26

*Owned by Britain.

TABLE II

Major Countries' Stock of Foreign Investment (1973)[4]

Countries	Investment share %	
	1961	197
US	55.0	52.0
UK	16.2	14.5
France	5.5	5.8
Germany, West	2.8	4.4
Switzerland	3.9	4.1
Canada	3.4	3.6
Japan	1.3	2.7
Netherlands	2.1	2.2
Sweden	1.4	2.1
Italy	1.9	2.0
Belgium	0.4	2.0
Australia	1.9	0.4
Portugal	0.2	0.2
Denmark	0.2	0.2
Norway	0.0	0.0
Austria	0.0	0.0
Others	3.7	3.0
Total	100	100

Further, it has been asserted that they have led the developing nations into undesirable consumerism. For instance Coca Cola in LDCs can be done away with because it is a low priority field in which indigenous alternatives are available and the production and sale of this drink may run counter to the national policy objective of creation of employment potential.

The MNC have been pushing into production those items suited to their economic framework and not to that of the host nation. Many of such consumer goods can easily be produced without advanced or imported technology and the cause of job creation would better be served by reserving some manufacturing activities for small and tiny sectors of the economy which are really labour intensive units in the LDCs.

They swindle away the incomes of the less developed countries by way of profits with their market capturing strategy. This is one of the most "tactic technology" innovated by these MNCs. They command world-wide network of efficient sale agencies which have very good salesmen. For example drug multi-

TABLE III

Defence Expenditure as Percentage of Non-Development Expenditure

Year (1)	Defence expenditure (net) (in Rr crores) (2)	Non-development expenditure (centre, states & union territories) (in Rs crores) (3)	Total government expenditure (in Rs crores) (4)	Col 2 as percentage of col 3 (5)	Col 2 as percentage of col 4 (6)
1961-62	312.49	936	2808	33.2	11.1
1964-65	805.80	1815	4754	44.7	17.1
1965-66	884.76	2126	5605	42.1	15.8
1966-67	908.59	2727	6143	33.5	14.8
1967-68	968.43	2772	6448	35.7	15.0
1968-69	1033.19	2890	6827	36.8	15.1
1969-70	1100.88	3209	7375	34.3	14.9
1970-71	1199.28	3636	8352	33.3	14.4
1971-72	1525.34	4429	10175	34.6	13.9
1972-73	1599.76	4224	10205	37.6	13.8
1973-74	1600.00	5380	12244	30.1	13.7
1974-75	2112.00	6205	15750	34.0	13.4
1975-76	2410.00	7360	18905	33.1	12.7
1977-78	2752.00	6706	19021	40.1	14.2
1978-79(BE)	2945.00	7380	20338	40.3	14.7

Source: Ministry of Finance, government of India, Economic Survey (various issues)

TABLE IV

Development and Non-Development Expenditure as Percentage of GNP

Year	Defence expenditure (net) (in Rs crores)	As per centage of GNP	Development expenditure (centre, states & union territories combined)* (in Rs crores)	As per-centage of GNP	Non-development expenditure (centre, states & union territories combined) (in Rs crores)**	As per-centage of GNP
1961-62	312.49	2.1	1872	13.3	936	6.6
1964-65	805.80	3.8	2939	13.9	1815	8.6
1965-66	884.76	4.1	3479	15.9	2126	10.0
1966-67	908.59	3.6	3416	13.5	2727	10.1
1967-68	968.43	3.3	3676	12.3	2772	9.5
1968-69	1033.19	3.4	3937	13.1	2890	9.6
1969-70	1100.88	3.3	4166	12.4	3209	9.7
1970-71	1199.28	3.3	4716	13.0	3636	10.1
1971-72	1525.34	3.6	5746	14.9	4429	10.5
1972-73	1599.75	3.4	5981	15.6	4224	9.1
1973-74	1600.00	2.8	6884	12.0	5380	9.4
1974-75	2112.00	3.1	9545	14.0	6205	9.1
1975-76	2410.00	3.4	11545	16.2	7360	10.3
1976-77	2544.00	3.5	12002	16.4	7866	10.7
1977-78	2752.00	3.6	12321	16.0	6707	11.4
1978-79(BE)	2945.00	3.7	12958	16.1	7380	9.2

Notes : *Includes Plan expenditure of railways and non-departmental undertakings out of their own resources as well as loans by the central and state governments to the local bodies and non-departmental commercial undertakings (including electricity boards) and developmental loans to other parties. **Excludes transfers to special development fund and other funds.

penditure and development and non-velopment expenditure as a whole entre, states and union territories mbined) as a percentage of GNP. It is 3.3 per cent in 1967-68, 1969-70 and 70-71; in 1968-69, 1972-73 and 1975-76 was 3.4 per cent and in 1966-67, 1971- and 1977-78, 3.6 per cent. The two aks in 1965-66 (i.e. 4.1) and 1971-72 e. 3.6) indicate the war years.

Development expenditure as a percentge of GNP increased from 13.3 in 961-62 to 16.1 in 1978-79, i.e. by 2.8 oint and non-development expenditure creased from 6.6 per cent in 1961-62 to 2 per cent in 1978-79, i.e. by 2.6 points. on-development expenditure as a percentage of GNP has been relatively constant between 1972-73 and 1974-75 (i.e. 9.1 per cent).

Table V shows defence expenditure as a percentage of gross national product for 15 major countries for the period 1961 to 1971. It would appear that contrary to popular belief high defence expenditure does not seem to have a negative correlation with a high economic growth rate. Even with very high levels of defence expenditure after the war period, the economies of the developed countries grew at a rapid rate. Thus USSR reconstructed its economy after it was devastated by the war and even assisted in the development of eastern Europe. This is not only true of developed countries but also of China in the 1950s. The EEC countries grew at an average rate of 5.4 per cent during 1961-68. The annual rate of growth of real net material product of the centrally planned economies of eastern Europe was eight per cent between 1961 and 1968.

India is spending 4.5 per cent of its gross national product on defence. On international comparison it cannot be concluded that she is spending more than or less than her means : for there are countries which are devoting more than what India is spending, irrespective of their economic position and state of economic development.

TABLE V

Defence Expenditure as Percentage of GNP of Various Countries : 1961-71

Country	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Australia	2.65	2.55	3.4	3.7	3.7	4.7	4.9	4.6	4·0	3.6	2.9
Britain	6·21	6.27	7.0	7.0	6·3	6.0	5.7	5·4	5.0	4.9	4.7
China	NA	NA	NA	NA	8.5	8.9	8.2	9.2	9.5	9.5	10.12
Canada	4.5	4.46	4.5	4.4	3.2	2·8	2.7	2.7	2.4	2.5	1.8
France	6.35	6.07	6.8	6.7	5.6	5.4	5.8	4.8	4.4	4.0	3.1
Israel	6.10	6.10	10.7	11.7	11.7	12·2	13.8	15.4	24·1	26.5	23·9
Italy	3.08	3.15	4.2	4·1	2.9	2·9	2.9	3·0	2·7	2.8	2.6
Iran	4·25	4·01	4·1	4.4	4.4	3.6	5·5	5.6	5.0	7.1	8.5
Japan	0.99	0.99	1.1	1.3	1.3	1.0	0.9	0.8	0.8	0.8	0.7
Pakistan	2.55	2.29	3.2	3.1	5.3	4·5	3.6	4.2	3 8	3.4	4.0
Sweden	4.21	4.38	5.2	4.6	4.4	4·2	3.9	3.9	3.9	3.7	3.7
USA	9.19	9.35	9.8	9·0	8.0	9.2	9.8	9.3	8.7	7.8	7.3
USSR*	7.59	7.71	6.61	7.33	6.61	6.47	6.43	6.8	11.0	11.0	NA
West Germany	4.03	4.84	6.1	5.5	4.4	4.8	4·3	3.6	3.6	3.3	2.8
Yugoslavia	7.96	7.78	6.0	4.7	4.5	4.5	4.7	4.7	5.4	5.6	6·0

*From 1961 to 1968 the estimates are from figures furnished by SIPRI. For 1969-70 the estimates are those of the Institute of Strategic Studies.

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Favourable climate for Japan-China trade

Inasmuch as the 20-billion-dollar two-way trade under the recent agreement is additional to any current transactions, it is expected that an enormous increase will result in trade between Japan and China.

IN 1977 THE amount of trade (exports and imports combined) between Japan and China reached $83,486 million, up 14.9 per cent from the level of the previous year. This is second only to the performance of 1975, when $3,790 million worth of goods were traded between the two nations, and may be taken as an indication that Sino-Japanese trade, which experienced a major setback in 1976 (down 19.9 per cent from the previous year), has now made a full recovery.

Firstly, Japanese exports to China amounted to $ 1,939 million in 1977, up 16.6 per cent from the previous year, a performance close to the peak reached in 1975 ($2,259 million). Itemwise, iron and steel, chemicals and textiles recorded a high rate of increase. A total of 4,530,000 tons of steel amounting to $1,028 million was exported to China in 1977, up 28.7 per cent from the level of the preceding year. As a result, the percentage of iron and steel products in total Japanese exports to China increased by 3.5 per cent percentage points to 53.0 per cent from the previous year. Chemicals exports also increased at a high rate of 67.9 per cent, as compared with the level of the previous year, amounting to $ 343 million. Among chemicals, fertilizers led other items by a sharp increase to $ 149 million, up a whopping 79.0 per cent from the previous year. Intermediate products such as organic chemicals, surfactants and plastics also showed a vigorous growth. Textile products were not left behind either. Bolstered by the high growth of rayon yarn, synthetic yarn and fabric, textile exports also jumped 22.4 per cent over the previous year, reaching $ 198 million.

By contrast, machinery and equipment were a heavy drag on Japanese exports to China in 1977, sagging to $ 217 million, down 44.7 per cent from the previous year, a decrease for two consecutive years. This slump is attributable to the weak demand for plant and equipment in China; although industrial production in China has made some recovery, any increase in output came from the existing facilities and the nation was not yet ready to purchase large plant and equipment.

As for Japanese imports from China, the amount of $ 1,547 million recorded in 1977 was an all-time high, up 12.8per cent from the previous year. By items, mineral fuels jumped 15.7 per cent from the previous year to $ 685 million; crude oil amounted to $ 655 million, up 15.2 per cent from the year-ago level, accounting for 42.3 per cent of total Japanese imports from China. Coal (mainly anthracite) also sharply increased (up 65.2 per cent from the year-ago level).

Apart from mineral fuels, textile materials were also large import items, showing a high increase rate of 20.3 per ce from the previous year, totalling $ 1 million. This is a result of the impl mentation of the import licensing syste for silk yarn and fabric, which touche off a rush of raw silk imports. Except f textile materials, raw material impor from China generally remained sluggis soyabeans were down 3.0 per cent an lumber also down 27.3 per cent from th year-ago levels.

The recovery of Sino-Japanese trade i 1977 has been caused by several factor (1) Reestablishment of the external trad system of China; (2) Revived deman for steel products, chemicals and othe materials owing to the recovery of indus trial production; (3) Visible improvemen in the external trade balance of China and (4) A steady increase in Japanes imports from China as a result of expor promotion efforts on the part of China.

WINDOW ON THE WORLD

propitious environment

In such a favourable environment o trade relations between the two nations the Japan-China Long-Term Trade Agree ment was signed on February 16, 1978 The agreement is aimed at realizing a two-way trade of up to $ 20 billion ove eight year to 1985, embodying Japanes exports of plants of various kinds and construction materials in exchange for collateral imports of crude oil and coa from China.

Examined more closely, the agreemen provides for the importation on the par of China in the first five years of $ 7—8 billion worth of industrial technologies and plants and $ 2—3 billion worth of cons truction materials and equipment parts from Japan. Included in the purchase are plants for making a variety of items rang ing from colour TV sets to synthetic lea ther, chemical fertilizers, ethylene and bulldozers the most notable being an integrated steel plant to be erected a

Shanghai with a capacity of producing five to six million tons a year of steel products. As the items to be imported by the Japanese side, on the other hand, crude oil, coking coal and steaming coal have been agreed upon. Under the agreement Japanese imports of these natural resources are to increase year by year as it becomes possible for both parties to deliver and receive greater quantities. Crude oil imports, which comprise a total of 47.10 million tons over the first five years, start with seven million tons in 1978, increasing to 7.6 million tons in 1979, eight million tons in 1980, 9.5 million tons in 1981 and 15 million tons in 1982. During the same period, a total of 5,150,000 to 5,300,000 tons of coking coal and 3,300,000 to 3,900,000 tons of steaming coal are to be imported under the agreement.

Inasmuch as the $20 billion two-way trade under the agreement is additional to any current transactions, it is expected that an enormous increase in trade between Japan and China will result.

It should be pointed out here, however, that in order to carry out the trade pact smoothly the Japanese side will have to solve not a few problems including: (1) Treatment of deferred payment terms to apply for exports of plants; and (2) Preparation of crude oil processing facilities so as to accept heavy types of oil imported from China.

Courtesy : Sumitomo Bank Review

Sino-Japanese Trade

(millions of dollars)

Year	Japanese exports	Increase rate from previous year (%)	Japanese imports	Increase rate from previous year (%)
1971	578	1.6	323	27.3
1972	609	5.3	491	52.0
1973	1,039	70.7	974	98.3
1974	1,984	90.9	1,305	34.0
1975	2,259	13.8	1,531	17.3
1976	1,663	—26.4	1,371	—10.5
1977	1,939	16.6	1,547	12.9

Tokyo Round gains will far exceed costs

John J. Harter

The gains to the developing countries from across the board tariff cuts from the Tokyo Round would far surpass any losses of exports from corresponding erosion of tariff preference margins.

THE TOTAL benefits to the world economy from a successful conclusion to the Tokyo Round of trade negotiations would "vastly" exceed the total costs of adjustment necessitated by the reduction of barriers to trade, according to the author of a new econometric study.

The benefits would probably exceed the adjustment costs by a ratio of 80 to one, the author suggests. Changes in trade flows, welfare benefits, and employment that would result from liberalisation of trade barriers would be significantly larger than is generally recognised, and they would "completely dwarf the negligible net loss of jobs," William R. Cline told newsmen in Washington.

Mr Cline made these comments shortly before the April 13 release of a new econometric analysis entitled "Trade Negotiations in the Tokyo Round: A Quantitative Assessment." Mr Cline is a senior fellow at the Brookings Institution, a non-profit independent research organisation, which sponsored and published the study. The co-authors of the study were Noboru Kawanabe of Kobe University of Commerce, T.O.M. Kronsjo of the University of Birmingham, England, and Thomas Williams of Brandeis University (Massachusetts), all of whom were members of the staff of the Brookings foreign policy studies programme at the time the study was taking place.

In broad terms; Mr Cline said, the new analysis seeks to measure the over-all impact of lower tariffs on consumer savings, shifts from inefficient domestic production into activities with higher domestic productivity, and other welfare gains.

"Price reductions to consumers would be especially dramatic in the area of agricultural non-tariff barriers," he said. "These benefits would recur year after year, and would grow along with the trade base. In addition, and what is probably more important, there would be economic benefits from increased exploitation of economies of scale associated with output expansion for increased exports, as well as from increased investment stimulated by the new export opportunities. Finally, freer trade should provide a competitive stimulus to technological advance, as well as a moderating influence on import prices and, therefore, on domestic inflation. This should help achieve full employment in the trade-off between unemployment and nflation."

As opposed to these large economic benefits, Mr Cline said the number of jobs lost because of increased imports would be small and adjustment would be facilitated by the gradual phasing in of liberalisation over several years.

The study suggests that the gross loss of jobs to imports as a result of the Tokyo Round—even ignoring job gains through increased exports—is unlikely to exceed 0.2 per cent of the labour force in the United States and the European Community, 0.5 per cent in Japan and 0.9 per cent in Canada. Moreover, it

oints out, liberalisation would be phased over a period of years so that even hese magnitudes would be relatively easy o accommodate.

The study is based on an economic nodel that incorporates detailed data elating to the trade of the United States, he European Community, Japan, Canada, Austria, Finland, Norway, Sweden, Switzerland, Australia and New Zealand. t used alternative assumptions regarding he level and scope of liberalisation that might be achieved in the Tokyo Round. Generally, it established that the greater the liberalisation—that is, the deeper the average level of tariff cuts, the more widespread they are applied and the more comprehensive the action taken to reduce the impact of non-tariff barriers to trade —the greater will be the gains for all the countries covered.

In addition, Mr Cline said, the developing countries "have a large stake in the most complete possible liberalisation of industrial countries' tariff and non-tariff barriers." He said the maximum feasible tariff cuts in the Tokyo Round would raise developing country's exports by more than 2,000 million US dollars annually. Specifically, he indicated, the export gains would be concentrated in manufactured goods, a result consistent with the exports of developing nations to increase the weight of manufacturing industry in their economies.

Mr Cline said developing country gains from Tokyo Round across-the-board tariff cuts "would far surpass any losses of exports from the corresponding erosion of tariff preference margins." He said the special duties that the developed countries now apply "under the General System of Preferences (GSP) to certain impor from developing countries have limite advantages, particularly since they a usually hemmed in by quota limits." Th tariff cuts agreed to in the Tokyo Roun would place no such limit of export ex pansion opportunities.

Failure to move quickly to lower th remaining tariff and non-tariff barriers t world trade "would sacrifice importan potential gains for consumers and for pro ductive efficiency and progress in limitin inflation in industrial countries, as well a export hopes in developing countries, th study emphasised. "It would also ris an eventual retrogression toward increas ed rather than reduced protection, as th continuing irritations inherent in areas o potential dispute, especially in non-tarif barriers, threatened to spread to othe areas of trade policy."

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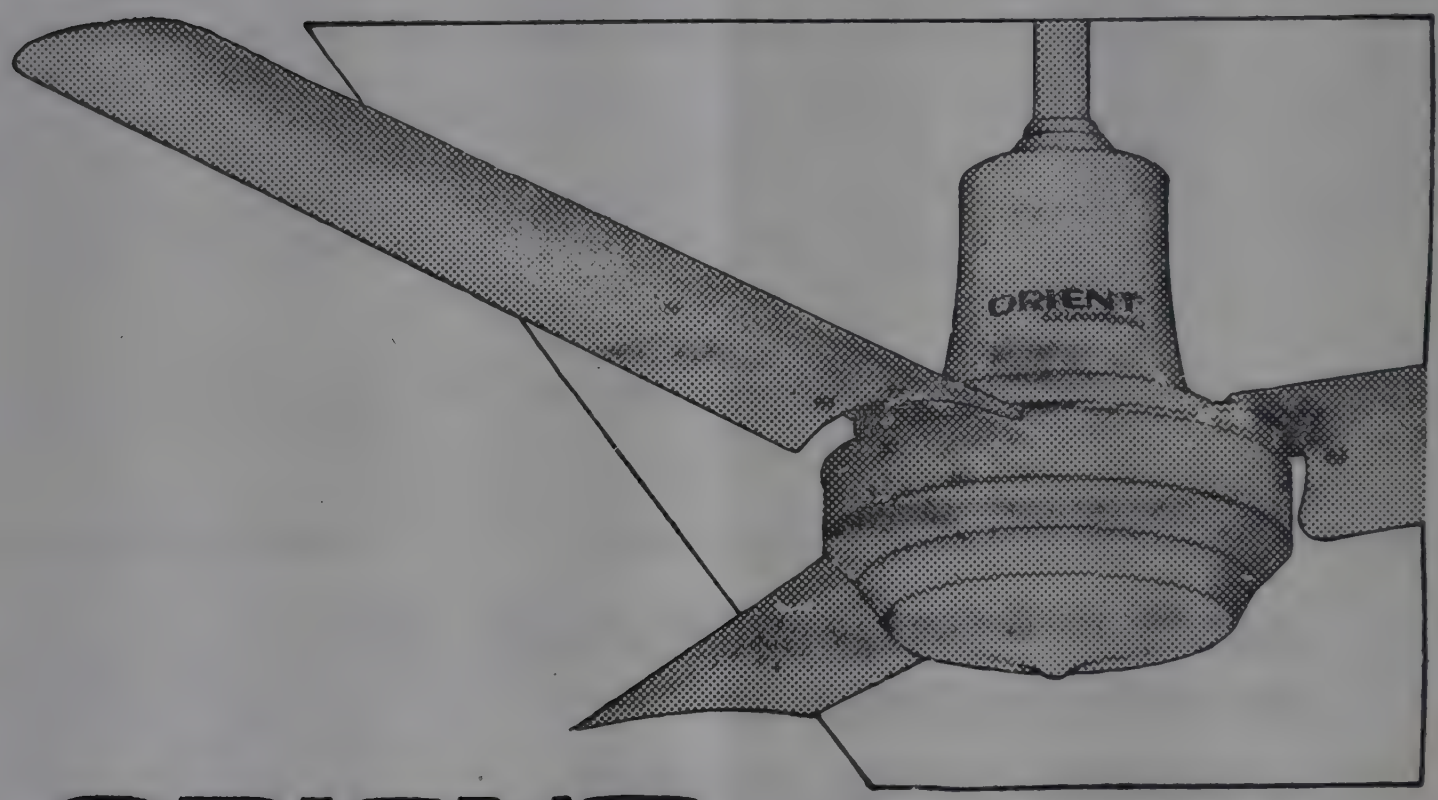

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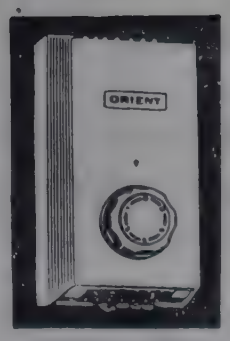

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TRADE WINDS

Integral Coach Factory

THE INTEGRAL Coach Factory (ICF) the largest coach making unit in the country, may go in for a major expansion programme to meet the increasing orders. The government could also take steps to improve the capacity utilisation in Bharat Earth Movers (BEM) and Jessops, Calcutta. In view of the increasing domestic and export demands, the government has been considering whether to expand the existing units or set up a new one. The thinking is reportedly in favour of ICF for two reasons. ICF is the only coach making unit which has achieved 100 per cent capacity utilisation. Furthermore it has the technical competence and capability to undertake the design and manufacture of coaches to any international standards.

Registration for Jute Machinery

The Jute Commissioner, Calcutta, has been declared by the government as the registering authority in respect of jute machinery units in the middle and small-scale sector. Announcing this, an official press note stated that industrial undertakings which are exempted from licensing by the government notification of February 16, 1973 are at present expected to get themselves registered with technical authorities for statistical purposes. Small-scale units having an investment up to Rs 10 lakhs in plant and machinery are required to register themselves with the appropriate state directors of industries. Under the notification issued recently all units which are exempted from the licensing provisions of the Industries (Development and Regulation) Act, 1951 will henceforth be required to get themselves registered with the Jute Commissioner, irrespective of their level of investment.

It is also clarified that the small-scale jute machinery units which are registered with the State Directorates of Industries and not borne on the register of the Jute Commissioner, will be required to get themselves registered with the Jute Commissioner. The procedure for registration will remain unchanged.

New Marketing Division in Coal India

Coal India Limited has set up a separate sales and marketing division to handle marketing of coal in the country. Henceforth, the arrangement of 'lead-company' will be discontinued. There will be marketing offices in various parts of the country and coal consumers will get the facility of indenting their requirements in these offices. This information was given in a written reply in Rajya Sabha recently by the Energy minister, Mr P. Ramachandran.

Mr Ramachandran told the House that the work of the new division will be carried on by the existing staff and no additional expenditure is anticipated. He said there would be approximately 12 offices handling marketing functions.

GIIC Assistance in 1977-78

Gujarat Industrial Investment Corporation (GIIC) sanctioned financial assistance of Rs 7.5 crores to a total of 146 industrial units during the year 1977-78. Among them, 21 units have been assisted in the medium and large-scale sector for expansion, diversification and modernisation; besides, it would help establishing 125 new industrial units, including 98 in the small-scale sector. The quantum of assistance sanctioned this year entails an increase of 34 per cent on Rs 5.6 crores sanctioned during 1976-77 and has been more than trebled as compared to Rs 2.44 crores sanctioned in 1975-76. The notable progress that was made in 1976-77 and improved upon in 1977-78 was rendered possible by taking recourse to IDBI refinance scheme facility. It has also enabled the corporation to exceed in performance the sanction target of Rs 7 crores during the year. The net cumulative assistance sanctioned by the corporation as at March 31, 1978 is Rs 45.57 crores for a total of 1582 industrial units grossing investment generation of over Rs 244 crores. In this, 1224 small units have derived assistance of over Rs 7.23 crores and the assistance to 358 medium and large units aggregates to Rs 38.34 crores.

Important projects assisted by GIIC in 1977-78 cover a variety of industries dispersed throughout the state. They include malleable iron fittings unit, tungsten carbide tips/tools project and a menthol unit at Ankleshwar, a foreign collaborated textile machinery unit and a Borosilicate glass project in Surat district, a whi phosphorus project in Broa district, one ABS resins pr ject, polypropelene processir unit, and a crankshaft produ ing unit in Baroda, an expar sion project for abrasive manufacture at Porbandar, pulp and paper mill and a ch mical plant fabrication/mani facturing unit in Ahmedaba a sea foods processing unit Veraval, a machine tools un at Rajkot and an industri jewels manufacturing unit e pansion at Bhavnagar.

CFRI and Ministry of Energy to Coordinate

A closer and more purpose ful relationship between th Central Fuel Research Institut (Dhanbad) and the user minis try of Energy has been envisag ed, with the transfer of th CFRI to the ministry fron April this year. This was dis closed by the Energy minister Mr P. Ramachandran recentl when he held the first meetin with the members of the CFR after its transfer. He is th chairman of the CFRI society The Energy minister urged th officials of his ministry to tak full advantage and derive maxi mum benefits from the research programme conducted by th institute.

Heavy Engineering Corporation

Heavy Engineering Corpora tion, Ranchi will now manu facture massive bridge ore reloaders. The technical project design, as developed by its designers, has been approved by the customer—Nicaro Nickel Plant of Cuba. Each bridge ore reloader weighs 430 tonnes and has a length of 67 metres—width of a football ground—and is 23 metres high from the ground. It will move on four rails and handle nickel ore. The trolley will move at

a speed of 180 metres per minute and will be capable of withstanding high velocity wind at that height. HEC will supply four such cranes valued at Rs 310 lakhs. As the order for supply of such cranes to Cuba has been secured as third country participation with the Soviet Union, the technical project design has also the approval of Vnniptmash Institute, Moscow—a specialised agency for design of cranes as well as Sibtiazmash plant—the largest crane manufacturing organisation in the Soviet Union.

Advertising Awards for State Bank

At the joint award distribution function organised by RAPA, CAG and the Advertising Club recently, State Bank of India bagged the Commercial Artists Guild (CAG) silver and bronze awards. The silver trophy was awarded for a press advertisement designed by Chaitra Advertising to announce the harijan welfare scheme promoted by State Bank. The bronze trophy was awarded for State Bank's annual report prepared by Graphic Communication Concepts.

ACC for Rural Uplift

Mr Kamaljit Singh, managing director of The Associated Cement Companies Ltd, revealed recently that his company had launched the rural welfare scheme more than 25 years ago on the principle of self-help and self-reliance, backed by major inputs of motivation, technology and management. Mr Kamaljit Singh was participating in a seminar on "Contribution of Business and Industry Towards Rural Development," organised by the Maharashtra Economic Development Council. He pointed out that the scheme covered 12 centres where the ACC factories were located, in isolated rural areas and each centre was supervised by three qualified and trained personnel consisting of an agricultural supervisor, village level worker and a mason-cum-mistry.

Mr Kamaljit Singh added that the thrust had been on the encouragement of all facets of activity in a village, such as agriculture, animal husbandry, afforestation, construction, cottage industry, cooperatives, education, recreation, rural health, structural forum for village development, training and relief measures. Experience had shown, according to Mr Kamaljit Singh, that the scheme was best conducted on the simple premise that "seeing is believing," and this approach had been fully rewarded. Among the several projects under the ACC scheme, the major one was "Save Grain Educational Programme" for the farmers in collaboration with the technical team of the ministry of Agriculture and Irrigation to educate and demonstrate the importance of preservation and saving of grain in a scientific manner.

Names in the News

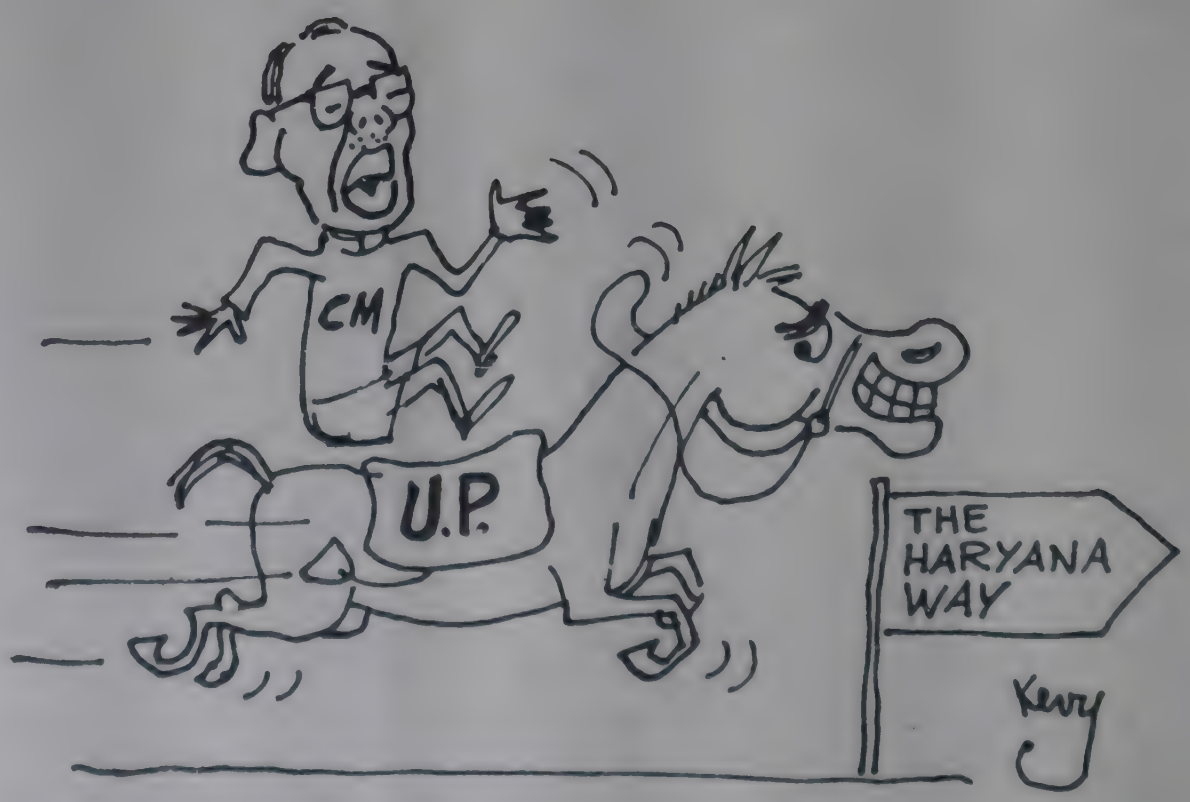
Mr P.N. Venkatesan, managing director, Premier Automobiles, Bombay has been elected president of Association of Indian Automobile Manufacturers, for the year 1978 and 1979.

Mr A.L. Roongta, has been appointed managing director of Rajasthan State Financial Corporation. He has been the managing director of Rajasthan State Agro Industries Corporation for the last few years. He launched several new projects in that capacity besides expanding the activities of corporation substantially.

Mr Hari Shanker Singhania has been appointed vice-president of the Federation of Indian Chambers of Commerce and Industry for the year 1978-79. He is the vice-president of J.K. Organization. He is also director on the boards of several public sector undertakings, such as Oriental Fire & General Insurance Company,

Mr Hari Shankar Singhania

Mishra Dhatu Nigam etc. Mr Singhania has been the president of a number of other associations such as the All India Organisation of Employers, Bharat Chamber of Commerce, Indian Jute Mills Association, Indian Paper Makers Association, etc.



COMPANY AFFAIRS

Corporation Bank

CORPORATION BANK Limited, one of the leading scheduled banks in the private sector, has increased its earnings during the year 1977. The year's operations resulted in a profit of Rs 19.68 lakhs as against Rs 18.50 lakhs during 1976. After transfer of Rs 12.50 lakhs to reserves, the directors have proposed 15 per cent dividend on the increased capital base of equity shares of Rs 50 lakhs, 9 per cent and 8.50 per cent on the two classes of preference shares, subject to deduction of income-tax.

The ordinary rights shares issued during 1977 will earn proportionate dividend for three months from the date of allotment. The directors have also proposed to issue during 1978 rights equity shares to the extent of Rs 12.50 lakhs in the ratio 5:1.

During the year, the bank achieved a peak in deposit mobilisation. As at the end of 1977 total deposits of the bank stood at Rs 145.22 crores and advances stood at Rs 76.70 crores, recording a growth rate of 41.6 per cent and 18.7 per cent respectively. The total outstanding credit to priority sectors including food credit as at the year end was Rs 32.20 crores or 42 per cent of total advances. The share of export credit stood at 8.28 per cent. The bank has opened a record number of sixty branches during the years 1977, taking the total number of branch network to 275 as at the end of 1977.

Molins

Molins of India Ltd, which suffered a setback in its working during 1977 with lower sales and profits than in 1976 is expected to report satisfactory results for the current year. In view of the stagnation in, the domestic cigarette industry steps have already been taken to minimise the effect of the reduction in the domestic demand for cigarette machinery. With the result, the financial position in 1977 had been better than the management had anticipated earlier. The prospects of orders for 1978 are encouraging. With a three year settlement with the employees union in the two factories, productivity is too expected to be better.

The prototype of the soft type packer has evinced good response from cigarette manufacturers in India and abroad. The company has a number of orders and inquiries in hand and it is expected that several of this type of machines would be in operation by the end of this year. The first rotary tobacco cutting machine has been exported to Yugoslavia this year. Efforts for the development of machines for other industries are continuing. The company has the necessary engineering skills to develop a wide range of machinery but its ability to make full use of these would depend largely on the governments' licensing policy.

Vishal Malleables

Vishal Malleables, which plans to set up at Ankeshwar in Gujarat a plant capable of manufacturing annually 2,400 tonnes of malleable pipe fittings, will enter the capital market on May 30 with a public issue of 205,000 equity shares of Rs 10 each to raise a part of the projects capital cost of rupees one crore. All the import licences have been received and civil construction work is in progress. The plant is expected to go into commercial production by August.

The company which has successfully set up a similar plant in Indonesia, is prompted to launch the venture in view of the fact that the demand for malleable iron pipe fittings has been growing rapidly in India and abroad.

Shivalik Agro-Poly Products

Shivalik Agro-Poly Products which is to manufacture a wide range of LDPE films for the first time in India, is entering the capital market on May 17, with a public issue of Rs 15 lakhs in 150,000 equity shares of Rs 10 each. The company's imported Italian plant from Cosmoplastics, SPA, is likely to reach the site at Parwanoo in July next. The plant which is expected to commence commercial production in August, will reach its installed capacity of 3,000 tonnes in the third year. The break-even point is expected to be achieved at 40 per cent of the installed capacity in the first year of its operations itself. Mr Anil P. Anand, executive director, told newsmen in New Delhi recently that the product-LDPE film will be marketed at Rs 18 a kg against its landed cost Rs 25 a kg. At full capac the company is expected have a turnover of Rs 5 lakhs on a capital base Rs 25 lakhs. The profitabil is likely to be good. Since will be manufacturing only small portion of the existi demand, the company do not envisage any marketi problem.

Century

Mr. S. K. Birla, who pres ded over the annual gener meeting of Century Spinnir and Manufacturing Compan told shareholders that th company's sales during th first three months of the cu rent year have been about 1 per cent higher than those c the same period last yea There has been a modes shortfall in cement despatche because of wagon shortage. Ex port sales have shown onl minor variations during thi period. Referring to the rayo filament yarn position, Mr Birl has stated that there has bee a fall of about rupees fou per kg. in the price because o the government's policy o allowing imports under the open general licence. While there is no duty on imports of finished products, the indigenous industry has to bear excise duty on wood pulp which is the essential raw material. Representations have been made to the government in this regard.

In regard to the textiles division, Mr Birla stated that the offtake of cloth has been better but it was difficult to make a clear forcast for the year as a whole, although performance was expected to be slightly better than last year's. The controlled cloth obligation continued to be a heavy burden on the industry and it

was generally expected that he government might make a policy announcement in the near future. Meanwhile in pursuance of a modernisation programme, some automatic looms and other machines have been added to the division.

Mr Birla added that the Maihar cement plant was expected to go on stream in the second half of 1979. The existing plant was operating well above the licenced capacity. Total capital invested in the cement division was about Rs 16 crores. The company has also invested 20 per cent in the equity share capital of the palm oil venture in Malayasia. As a result of the labour trouble last year, the company lost production worth Rs 9 crores.

In reply to suggestions for issue of bonus shares, Mr Birla pointed out that the questions would be considered by the board as and when the company was in a position to make a bonus issue in conformity with the guidelines issued by the government in this regard.

Digvijay Cement

The preliminary statement from Shree Digvijay Cemen Co, on its working results for 1977 shows an all-round improvement over the previous year's performance. The dividend has been raised from Rs 12 to Rs 14 per share and in addition the directors have proposed a bonus issue on a one-for-five basis. As against an increase of about 19.4 per cent in turnover from Rs 28.53 crores in 1976 to Rs 34.06 crores in 1977, the gross profit has risen by 51.4 per cent from Rs 1.79 crores to Rs 2.71 crores. Improved results are attributed mainly to the good performance of the asbestos division. The production of clinker was marginally higher at 837,000 tonnes against 825,000 tonnes and that of cement at 894,000 against 870,000 tonnes. But the output of asbestos products increased by about 68 per cent from 29,596 tonnes to 49,855 tonnes as a result of the improved supply of asbestos fibre, an imported raw material and a better demand for the products.

After providing Rs 62.40 lakhs (Rs 67.48 lakhs) fo depreciation, Rs 6 lakhs Rs lakhs) for investment allowan reserve and Rs 7.15 crores (R 35.12 lakhs) for the propose dividend and transferring Rs 4 lakhs (Rs 16 lakhs) to th general reserve, there i

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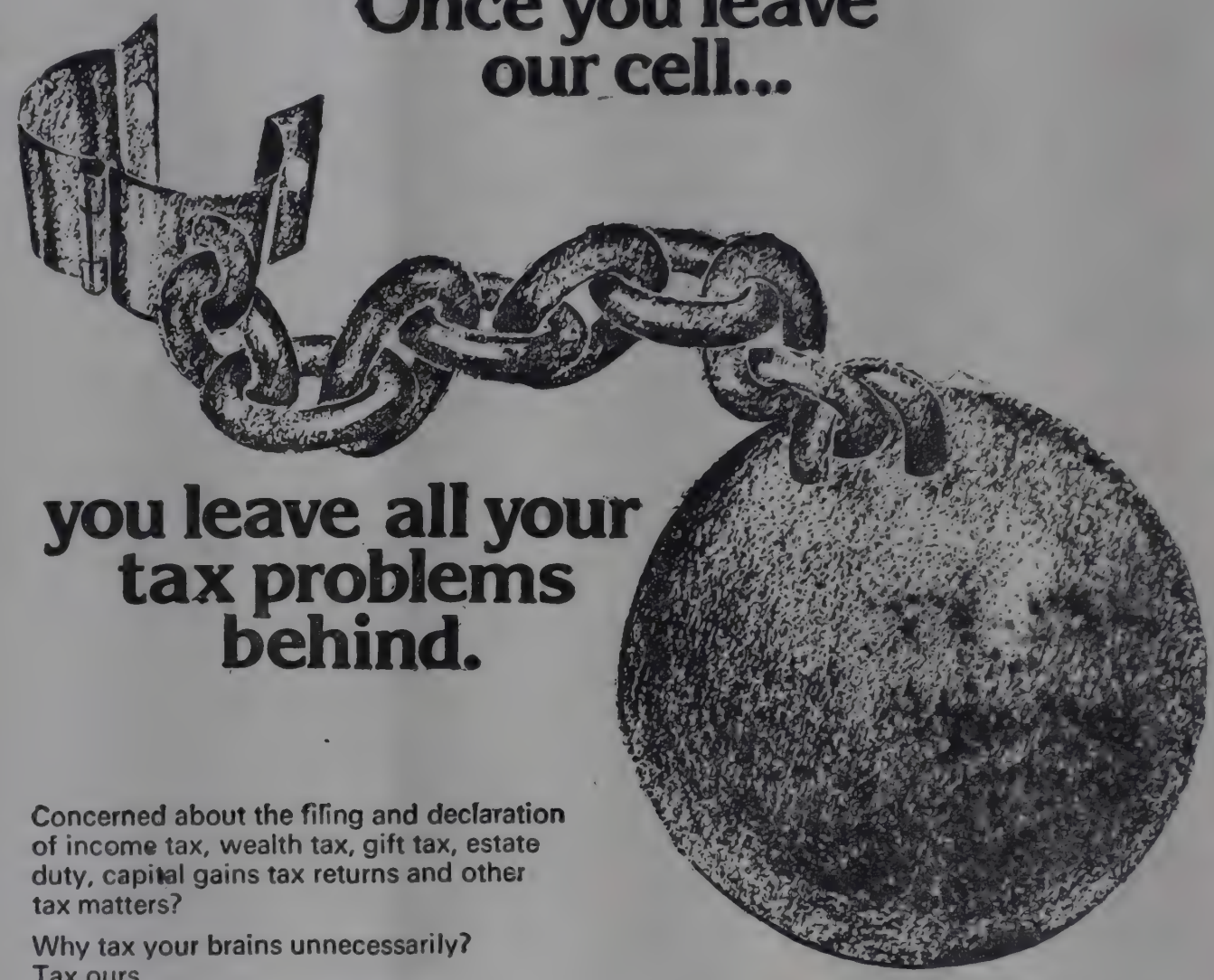

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Tax Consultancy Cells will soon be opened at Kanpur, Patna and Bhopal, too.

State Bank Tax Consultancy Cell

State Bank

balance of Rs 63,856 (Rs 59,561) to be carried forward.

MICO

The directors of Motor Industries Co Ltd, Bangalore, have recommended a final dividend of Rs 8 per share for 1977, subject to statutory deductions. An interim dividend of Rs 6 per share was declared in October 1977. The turnover in 1977 increased to Rs 61.15 crores from Rs 53.11 crores in 1976—an increase of over Rs 8 crores. Exports went up by neerly Rs 2 crores to Rs 13.73 crores. The profit, after depreciation, investment allowance and tax provision is Rs 2.89 crores against Rs 2.49 crores in 1976. The tax provision for 1977 is Rs 7.3 crores against Rs 6.5 crores in the previous year. The company's annual general meeting will be held on June 23, 1978.

National Rayon

The directors of National Rayon Corporation have not recommended any dividend on preference or equity shares for 1977. No dividend was paid for the previous year. According to a preliminary statement, the company's sales have increased by more than 10 per cent from Rs 44.83 crores to Rs 49.42 crores and after providing for gratuity and depreciation there is an operating profit of Rs 52.28 lakhs compared to a loss of Rs 178.46 lakhs shown in the previous year.

The directors have provided Rs 41.14 lakhs for bonus for the year 1976, Rs 2.78 crores for doubtful debts and loans and advances, Rs 50 lakhs for contingencies, Rs 15.50 lakh for investment allowance reserve and Rs 0.27 lakhs for investment allowance reserve and Rs 0.27 lakhs for writing off rights issue expenses, leaving a deficit of Rs 3.33 crores. After writing back Rs 24.20 lakhs, being excess provision for taxation no longer required, the deficit is reduced to Rs 3.09 crores which is adjusted against the general reserve.

Hindustan Ferodo

The working of Hindustan Ferodo Ltd has disclosed a substantial improvement during the year ended December 1977. Its sales increased from Rs 1,254.94 lakhs to Rs 1,576.55 lakhs and the net profit from Rs 78.10 lakhs to Rs 96.06 lakhs, after providing Rs 27.35 lakhs (Rs 29.5 lakhs) for depreciation, Rs 177 lakhs (Rs 120.75 lakhs) for taxation and Rs 2.80 lakhs, (Rs 6,500) for development rebate reserve and investment allowance reserve. The directors have proposed to raise the final dividend from 14 per cent to 15 per cent which will absorb Rs 37.23 lakhs (Rs 34.75 lakhs). The interim dividend was also raised from 11 per cent to 12 per cent absorbing Rs 29.78 lakes (Rs 27.30 lakhs). The total dividend disbursement would be coming to Rs 67.01 lakhs (Rs 62.04 lakhs). A sum of Rs 2.35 lakhs (Rs 1.18 lakhs) has been transferred to the general reserve after making adjustments.

Output of the company increased considerably, especially of friction materials, and exports also rose from Rs 68 lakhs to Rs 100 lakhs. The government has approved the expansion of the basic licensed capacity of brake lining from 2160 tonnes by way of automatic growth over the next five years. The government is considering the company's application for substantial expansion of the existing lines of products of asbestos. The licenced capacity for textiles is to be raised to 2400 tonnes from 1232 tonnes, of compressed asbestos fibre jointings from 2100 tonnes to 4000 tonnes and of asbestos mill board from 500 tonnes to 2000 tonnes.

A new factory is proposed to be set up in a backward area of Maharashtra over the next five years. The new expansion plans will be financed by a rights issue.

Gokak Patel

Gokak Patel Volkart has earned a gross profit of Rs 2.07 crores during 1977 against Rs 2.45 crores in the previous year. The sales have been around Rs 23.11 crores against Rs 18.75 crores. After providing Rs 46.07 lakhs (Rs 48.90 lakhs) for depreciation, Rs 3.50 lakhs (Rs 6.50 lakhs) for investment allowance and Rs 90.50 lakhs (Rs 110 lakhs) for taxation and after making some adjustments the disposable surplus is Rs 73.89 lakhs (Rs 80.31 lakhs). An equity dividend of 16 per cent has been declared on the enhanced capital resulting from the one-for-five bonus issue made during the year against 20 per cent paid for 1977. Dividends will absorb Rs 52.18 lakhs (Rs 54.36 lakhs). A sum of Rs 13.05 lakhs (Rs 17.50) lakhs) has been transferred to general reserve No 2 and Rs 5.90 lakhs (Rs 6.52 lakhs) to general reserve No 3.

The Gokak mills division was able to improve its turnover from Rs 18.73 crores in 1976 to Rs 23.09 crores in 1977. Shipments of certain categories of yarn usually exported by the company was banned by the central government from July 1977 resulting in a setback to the export efforts not only in the second half of 1977 but also in the long run. The ban has now been lifted but export incentives have been withdrawn and at the same time recessionary tendencies are being noticed in international yarn markets. The directors pointed out that the total exports from the country have at no time exceeded three per cent of the total production of yarn and at the time the ban was imposed exports were running at hardly one per cent of the total availability of yarn in the country.

Hindustan Dorr-Oliver

The directors of Hindustan Dorr-Oliver state in their report for the period ended November 1977 that the actual business operation commenced from April 1977 when certain assets and liabilities of Dorr Oliver (India) Ltd were taken over by the company as a going concern. The income from supply of Dorr-Oliver system (including components) totalled Rs 5.08 crores and income from service rendered Rs 11.88 lakhs during the year. The working resulted in a gross profit of Rs 119.29 lakhs. After providing Rs 1.81 lakhs for depreciation and Rs 95.40 lakhs for taxation, the net profit worked out at Rs 22.08 lakhs. An equity dividend of 14 per cent has been declared which will absorb Rs 9.24 lakhs. A sum of Rs 12.65 lakhs has been transferred to general reserve. The backlog of unexecuted and partly executed orders on hand at the end of November 1977 totalled Rs 13.68 crores, which rose to Rs 15.97 crores at the end of March 1978. Thus the company continues to enjoy a fair share of the market despite keen competition in several areas of its activities.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of March 1978. The list contains the names and addresses of the licensees, articles of manufacture, types of licensees—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Agarwal Steel Complex Ltd, 3-H, Shakespeare Sarani, Calcutta-700016 (Hooghly-West Bengal)—High Manganese Steel Castings—1000 tonnes, Alloy Steel Castings—1000 tonnes, SG Iron Castings—1000 tonnes—(NU)

M/s Ghatge Patil Industries Ltd, Uchagaon, Kolhapur-416005 (Kolhapur—Maharashtra)—Grey Iron Castings—9,000 tonnes, SG Iron Castings—3,000 tonnes—(NA)

Metallurgical Industries (Non-Ferrous)

M/s Shalimar Wires and Industries Ltd; Mineral Building, 27-A, Camac Street, Calcutta-700016 (Nasik-Maharashtra)—Nickel Silver Strips—450 tonnes—(NU)

Fuels

M/s Lubrizol India Ltd, Delstar, 9A, S. Patkar Marg, Bombay-400036 (Maharashtra)—Engine Oil Dispersant intermediate comPonents—2,000 tonnes (Addl)—6,000 tonnes (After expansion)—(SE)

Electrical Equipment

M/s Southern Transformers and Electricals Ltd, Parisrama Bhavanam, 5-9-58/B, Fateh Maidan Rd, Post Box No 1049, Hyderabad-500029 (Tirupathi-AP)—Power Transformers up to 132 KVA-1,000 MVA—(NU)

M/s Punjab Bio-Medical Equipment Ltd, (Subsidiary of Punjab Dev. and Prodn. Corpn. Ltd), 50/4A, Chandigarh (PB) (SAS Nagar (Mohali)-Punjab)—X-Ray Image Intensifier (Detrofitting type)—25 Nos—(NA)

M/s Tata Engineering and Locomotives Co Ltd, 'Bombay House', 24, Homi Modi Street, Fort, Bombay-400023 (Pune-Maharashtra)—In process gauging—40 Nos, Rotary position Encoder and Readout—100 Nos, Linear position Encoder and Readout—100 Nos, Proximity Switch—1000 Nos, Electrical copy machining—10 Nos, Numerical control of Machine Tools—10 Nos, Solid State Controller for Machine Tools—50 Nos—(NA)

Mr A.N. Angre, Pradhan Building No 2, Gokhale Road, Thane (Maharashtra) (Poona-Maharashtra)—Triacs less than 30 Amps—2,25,000 Nos greater than 30 Amps—75,000, Diacs 6·9 Volts 26-35 Volts—3,00,000 Nos—(NU)

M/s NGEF Ltd, Post Bag No 3876, Bangalore-560038 (Bangalore-Karnataka)—Thyristor Convertors for industrial controls—50,000 KW—(NA)

Transportation

Mr J.C. Nagina, 20, Union Park, Chembur, Bombay-400071 (Daman-Goa)—Marine Propellers fixed blade and variable pitch (2.5 tonnes and above)—400 tonnes, Stern Gear Assembly—150 Nos—(NU)

M/s Press Metal Corporation Ltd, Andheri-Kurla Road, Bombay-400059 (Bombay-Maharashtra)—Exhaust System (Silencers and Exhaust pipes—278 tonnes, Door Locks—52 tonnes, Radiator grills—117 tonnes, (Fuel tanks 13,928 tonnes, Trim shop items 13,928 tonnes, Air Vent System 13,928 tonnes, Ferrous and Non-ferrous cold roll formed metal sections) 13,92 tonnes—(COB)

Industrial Machinery

M/s National Heavy Engineering Co-op Ltd, 16-Mahatma Gandhi Rd, Pune-411001 (Pune-Maharashtra)—Complete Sugar Plant—6 Nos—(NU)

M/s Lohia Machines Private Ltd, C-3, Panki Indl. Area Kanpur-208020 (Kanpur-UP)—Tow to top conversion equipment consisting of: (a) Breakers, (b) Re-breakers, (c) Tow transformers, (d) Intersecting machine—2 machines—(NA)

M/s Rol-Kobo Chain Co, (Prop Rolcon Engg Co Ltd) Vallabh Vidyanagar, Gujarat-388120 (KFTZ-Gujarat)—Industrial Roller Chains—5,40,000 metres—(NU)

Miscellaneous Industries

M/s Nandan Textiles Pvt Ltd, 573, Girgaum Road, Chira Bazar, Bombay-400002 (Thana-Maharashtra)—HDPE woven bags—71 tonnes—(COB)

Chemicals Other than Fertilizers

M/s Haichem Pvt Ltd, B-40, Indl Estate, Sanatnagar Hyderabad-500018 (Medak-AP)—Binary Explosives—5,00 tonnes—(NA)

M/s Solar Chemicals Co-op, Industrial Estate, Post Box No 80, Chandrapur (Maharashtra) (Chandrapur-Maharashtra)—Sulphuric Acid—16,500 tonnes (inclusive of the existing capacity of 3,300 tonnes)—(SE)

M/s Lubrizol India Ltd, Delstar, 9-A, Patkar Marg, Bombay-400036 (Maharashtra)—Chemical Additive—5000 tonnes (Addl)—15000 tonnes (After expn)—(SE)

Drugs and Pharmaceuticals

M/s Indian Drugs and Pharmaceuticals Ltd, N-12, South Extn. Pt I, Ring Road, New Delhi-110049 (Hyderabad-AP)—Glybenclamide—5 tonnes, Diazepam—1 tonne, (a) Trimethoprim—2 tonnes, (b) Sulphamethoxazole—8 tonnes—(NA)

M/s BEC Chemical Pvt Ltd, Victoria Bldg, Parsee Bazar Street, Fort, Bombay-400001 (Kolaba-Maharashtra)—Chemoquine—10 tonnes, Chloroquin Phosphate—20 tonnes—(NA)

M/s Mac Laboratories Pvt Ltd, Great Social Bldg, 60, Sir Pherozeshah Mehta Road, Bombay-400001 (Bombay-Maharashtra)—Basic Drug: Clipizide—100 kgs, Formulations: Clipizide tablets 5 mg—Corresponding to 70 per cent production of basic drugs—(NA)

M/s New Drugs (India) Ltd, Q. No 97, SBI Staff Colony, New Bakaram, Hyderabad-500048 (Medak-AP)—(A) Bulk Drugs: Parahydroxy benzoic acid and its corresponding esters—30 tonnes, Metronidazole—18 tonnes, Sodium Para-amino salicylate—80 tonnes, Glibenclamide—0.060 tonnes, (B) Formulations: Paracetamol Tablets—36 lakh Nos, Diethyl Carbamazine citrate tablets—24 lakh Nos, Antiscabies Ointment Tubes (ointment containing Benzyl Benzoate, Benzocaine and DDT—0.96 lakh Nos—(NU)

Textiles

M/s Hanspa-Knit Pvt Ltd, 10, T.A. Pai Housing Co-operative Society Ltd, Dr Ambedkar Road, Bandra West, Bombay-400050 (Gandhidham-Gujarat)—Pullovers/Cardigans—24,000 doz, Ladies Blouses—24,000 doz, Childrenwear—24,000 doz—(NU)

M/s Rohit Mills Ltd, Khokhra Ahmedabad, Ahmeda-

ad-380008 (Ahmedabad-Gujarat)—Cotton yarn—59,680 spindes (existing)—63,352 spindles (after expn)—(SE)

M/s New Great Eastern Spg and Wvg Co Ltd, 25/29, Dr Ambedkar Rd, Bombay-400027 (Bombay-Maharashtra)—Cotton yarn—34,956 spindles (existing)—41,548 spindles (after expn)—(SE)

M/s Raghubanshi Mills Ltd, 11-12, Senapati Bapat Marg, Delisle Road PO, Bombay-400013 (Bombay-Maharashtra)—Cotton yarn—50,000 spindles (existing)—56,340 spindles (after expn)—(SE)

Fermentation Industries

M/s Shetkari Sahakari Sakhar Karkhana Ltd, Sangli (Maharashtra) (Sangli-Maharashtra)—Indian Made Foreign Liquors and Country Liquors—5033 bulk kilolitres—(COB)

Leather and Leather Goods

M/s KH Leather Industries Pvt Ltd, 36 Hunters Road, Vepery, Madras-600007 (North Arcot-Tamil Nadu)—Leather Foot wear—4 lakh pairs, Leather Uppers—10 lakh pairs, Leather Wallets—12 lakh pieces—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

Mr N.K. Jhunjhunwala, S-19, Greater Kailash-I, New Delhi-110048, (Backward Distt-UP)—SG Iron Castings—5,000 tonnes—(NU)

Electrical Equipment

M/s Bharat Electronics Ltd, "Trade Centre", 29, Race Course Rd, Bangalore-560001 (Pune-Maharashtra)—Magnesium, Manganese Dioxide Batteries—3 lakh Nos—(NA)

M/s The Electro-Medical and Allied Industries Ltd, (A Govt of West Bengal Undertaking), 4/2, BT Road, Calcutta-700056, (West Bengal)—Dental X-Ray units—150 Nos, Mobile Battery operated X-Ray units—100 Nos, High Power X-Ray (above 750 mA), Generators with sophisticated Tilting Table—75 Nos, Table for special examination with tomography and TV systems—150 Nos, Conventional X-Ray low power X-Ray equipment inc portable equipment (below 750 mA)—250 Nos—(SE)

M/s Machinery Manufacturers Corporation Ltd, Gateway Bldg, Apollo Bunder, Bombay-400039 (West Bengal)—Micro processor based data processing equipment—250 Nos—(NA)

M/s Khandelwal Herrmann (KH) Electronics Ltd, Khandelwal Estate, Bhandup, Bombay-400078 (Maharashtra)—Silicon Diodes up to 1 Amp—20,00,000 Nos, Silicon Diodes up to 30 Amp—3,00,000 Nos, Silicon Diodes above 30 Amp—20,000 Nos, SCRs up to 30 Amps—3,00,000 Nos, Triacs and Diacs—20,00,000 Nos—(NA)

Industrial Machinery

M/s Rajasthan State Industrial and Minerals Dev Corpn Ltd, 103-Jawaharlal Nehru Marg, Jaipur-302004 (Jaipur-Rajasthan)—Precious metal Spinnerettes (re-manufactured)—50 kgs, Precious metal spinnerettes (newly manufactured)—20 kgs, Stainless steel spinning plates—5 tonnes—(NU)

Machine Tools

M/s Asiatic Oxygen Ltd, 8, BBD Bag East, Calcutta-700001 (Howrah-West Bengal)—Welding and Cutting Blow Pipes and Regulators—14,400 Nos—(NA)

Micellaneous Industries

M/s Synthopack Enterprises (P) Ltd, 9, Sommerset House Opp: Colaba Post Office, Colaba, Bombay-400005 (Tarapur Maharashtra)—Special purpose (LDPE/HDPE packing films—600 tonnes—(NU)

M/s Chetna Polycoats Pvt Ltd, 5184, Ballimaran Delhi-110006 (Alwar-Rajasthan)—Polyurethane and Acrylic Coated fabrics—30 lakh sq meters—(NU)

Fertilizers

M/s Bihar Caustic and Chemicals Ltd, Garhwa Road, Rehla Distt Palamau (Bihar) (Palamau-Bihar)—Ammonium Chloride—26,000 tonnes—(NU)

M/s MP Agro Morarji Fertilizers Ltd, Plot No 9, Jhabua Kothi, Municipal No 170, Ravindranath Tagore Marg, Indore (MP) (Jhabua-MP)—Sulphuric Acid—1,40,000 tonnes, Phosphoric Acid—50,000 tonnes, Mono Ammonium Phosphate—93,600 tonnes—(NU)

Chemicals Other than Fertilizers

M/s Asiatic Oxygen Ltd, 8-B BD Bag (East), Calcutta-700001 (Raipur-MP)—Benzaldehyde—600 tonnes—(NA)

M/s Binil Chemical Co, 301, Pleasant Palace, 16, Narayan Dabolkar Rd, Bombay-400006 (Backward area-Gujarat)—Acrylonitrile-Butadiene-Styrene (ABS), Styrene-Acrylonitriline (SAN), Flame retardant High Impact Plastic—Total capacity 10,000 tonnes—(NU)

M/s Ralli Chemicals Ltd, Ralli House, 21, Baveline Street, Fort, Bombay-400001 (Unnao-UP)—Sodium Silicofluoride—350 tonnes—(NA)

M/s Taplon Synthetics Ltd, Shiv Murti House, Una Road, Hoshiarpur (Punjab) (Hoshiarpur-Punjab)—Nylon Filament Yarn—1,000 tonnes (Addl)—2,000 tonnes (after expn)—(SE)

M/s The Anil Starch Products Ltd, Anil Road, PB No 1062, Ahmedabad-380002 (Ahmedabad-Gujarat)—Mannitol—200 tonnes—(NA)

M/s Britannia Biscuit Co Ltd, 15-Taratola Road, Calcutta-700053 (Bokaro-Bihar)—Anthraquinone—600 tonnes—(NU)

M/s Papin Laboratories International, Udy Bhavan, Rajmahal Road, Baroda-390001 (KFTZ-Gandhidham-Gujarat)—Papain BPC—35 tonnes—(NU)

Drugs and Pharmaceuticals

M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-390003 (Gujarat), Berberine Sulphate—1200 kgs, Berberine Tannate—1200 kgs—(NA)

M/s Atul Products Ltd, PO Atul (W Rly), Distt Bulsar-396020 (Bulsar-Gujarat)—Tolbutamide (YL)—25 tonnes—(NA)

M/s Indian Drugs and Pharmaceuticals Ltd, N-12, NDSE-1, New Delhi-110049 (Madras-Tamil Nadu)—**Tablets**: INH (100 mg)—50 million Nos, INH (300 mg)—20 mill Nos, INH-Thicetazone—25 mill Nos, Aspirin—40 mill Nos, APC—40 mill Nos, Idochlorochydroxiquinoline 20 mill Nos, Phenyl Butazone—2 mill Nos, Ferrous Sulphate—10 mill Nos, Folic Acid—10 mill Nos, Digestine Enzyme—5 mill Nos, Vitamin C—25 mill Nos, Vitamin B-complex—10 mill Nos, Multivitamin—10 mill Nos, Chlorpromazine—1 mill Nos, Prednisolone—2 mill Nos, Antacid—10 mill Nos, Phthalyl Sulphathiazole—25 mill Nos. **Ampoules**: Distilled water—7.5 mill Nos, Dextrose (5 per cent)—

1 mill Nos, Analgin (5 ml)—0.5 mill Nos, Pethidine (2 ml)—0.5 mill Nos, Ephidrine (1 ml)—0.5 mill Nos. **Powder Vials**: Streptomycine sulphate—10 mill Nos, Strepto Penicillin—5 mill Nos, Procaine Penicillin—5 mill Nos. **Capsules**: Tetracycline—5 mill Nos, Oxytetracycline—5 mill Nos, **Liquids**: Piperazine Citrate—20 KL, Cough syrup—30 KL, Vitamin B-Complex syrup—30 KL, Milk of Magnesia—15 KL, Tincture of Iodine—25 KL, Liquid Glycyrrhiza—10 KL. Chloroform spirit—30 KL, Tincture Cardamom—30 KL, Tincture Benzoin—20 KL—(NA)

Textiles

M/s MRS Exports, 5-6, Regent Chambers, 12th Floor, Nariman Point, Bombay-400001 (KFTZ-Gujarat)—Importings, grading and processing of second-hand clothing for rexport purpose—2,500 tonnes—(NU)

Food Processing Industries

M/s The Andhra Pradesh Dairy Dev. Corpn Ltd, Lalapet, Hyderabad-3000789 (Cuddapah-AP)—Skimmed/whole milk powder—2,500 tonnes, Infant and weaning foods—1,500 tonnes, Malted milk food—1,200 tonnes, Condensed milk (Sweetened)—1,200 tonnes, Table butter—1,500 tonnes, Ghee—1,000 tonnes (NU)

Mr J. M. Babi, M/s Farm Dehydrates (Pvt) Ltd, Matiana House, Memonwada, Junagarh (Surendranagar-Gujarat)—Processing/Dehydration of Onions—1794 tonnes—(NU)

Glass

M/s Andhra Pradesh Indl Dev Corpn Ltd, "Parisrama Bhavanam", 5-9-58/8, Fateh Maidan Rd, Post Box No 1049, Hyderabad-500029 (Andhra Pradesh)—Continuous Filament Fibre Glass—2,000 tonnes (Addl)—4,000 tonnes (after expn)—(SE)

M/s Indo-Asahi Glass Co Ltd, Hungerford Street, Calcutta-700017 (24-Parganas-WB)—Ophthalmic lens—19.80 lakh pieces—(NU)

Cement and Gypsum Products

M/s Dalmia Cement (Bharat) Ltd, 4, Scindia House, New Delhi-110001 (Tiruchirapalli-Tamil Nadu)—Portland Cement—From 5.25 lakh tonnes to 5.95 lakh tonnes (after expansion)—(SE)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Swastik Textile Engineers Private Ltd to M/s Swastik Engineers Pvt Ltd

M/s Batliboi and Co Pvt Ltd to M/s Batliboi and Co Ltd

Collector, Guntur, Chief Promoter, The Proposed Coop Sugar Factory to The Annapurna Cooperative Sugars Ltd

M/s Garden Reach Workshops Ltd, Calcutta to M/s Garden Reach Shipbuilders and Engineers Ltd, Calcutta

M/s Batliboi and Co Pvt Ltd to M/s Batlibori and Co Ltd

M/s Steelsworth Ltd to M/s Buildworth Ltd

M/s Lallubhai Amichand Private Ltd to M/s Lallubhai Amichand Ltd, Bombay

M/s Cambata Ferro-Manganese Ltd to M/s Universal Ferro and Allied Chemicals Ltd

M/s Industrial Development Corpn of Orissa Ltd, Bhubaneswar to M/s Konark Jute Ltd, Bhubaneshwar

Licences Revoked or Cancelled

(Information pertains to particular licences only)

M/s Contel, New Delhi—Transistors etc—(Cancelled)

M/s Modi Industries Ltd, Modinagar (UP)—Aluminium Tops—(Cancelled)

M/s Ceramic Capacitors Manufacturing Co, New Delhi—Disc Ceramic Capacitors—(Revoked)

M/s RBS Rubber Mills (P) Ltd, Calcutta—Rice Mill Rubber Roller—(Revoked)

M/s Bedi Company, Bangalore—Skimmed milk powder whole milk powder and Casein—(Revoked)

M/s Shri Laxmi Cooperative Sugar Factory Ltd—Sugar—(Revoked)

M/s Travancore Chemicals and Mfg Co Ltd, Kalamassery (Kerala)—Alumina Ferric—(Revoked)

Mr Priyadarsi Jetly, Distt Faizabad (UP) M/s Kisan Sahakari Chini Mills Ltd, Akbarpur, Distt Faizabad (UP)—Sugar—(Revoked)

M/s Southern Industrial Corpn Ltd, Madras-600066—Flexible Shaft Machines and Electric Motors, thereof—(Cancelled)

M/s Corona Rim Manufacturing Co Ltd, Sonepat (Haryana) Bicycle Rims—(Revoked)

Letters of Intent Lapsed, Cancelled or Revoked

(Information pertains to particular letters of intent only)

Mr Shashank Prashad, Calcutta (West Bengal)—Industrial Gases—(Lapsed)

M/s Farm Chemicals Ltd, Bombay (Gujarat)—Monosodium Methanearsonate (Herbicide)—(Lapsed)

M/s Pondicherry Industrial Promotion Development and Investment Corpn Ltd, Pondicherry (Pondicherry)—Glass Bottles—(Lapsed)

M/s Hyderabad Allwyn Metal Works Ltd, Hyderabad (Andhra Pradesh)—Domestic Refrigerators—(Lapsed)

M/s Bihar Mica Syndicate Ltd, Hazari Bagh (Bihar) (Bihar)—Mica Paper—(Cancelled)

Mr B. L. Dalmia, Calcutta (MP) White printing paper—packaging and wrapping paper—(Lapsed)

The Himachal Pradesh Mineral and Industrial Development Corpn Ltd, (HP)—Glass Bottles—(Lapsed)

M/s Uniloids Ltd, Hyderabad (AP)—Chloroquin Phosphate—(Lapsed)

M/s Bombay Burmah Trading Corpn Ltd, Bombay (Maharashtra)—Relays—(Revoked)

M/s Seth Enterprises, Meerut (Rajasthan)—Tungsten Carbide Products etc—(Cancelled)

Industrial production in 1977

The rate of growth in industrial production in 1977 is estimated to be around five per cent as against a rise of more than 10 per cent in the year ended March 31, 1977. The major constraints to production were labour unrest, chronic shortage of power and lack of demand in some industries. The table below culled from the annual report of the ministry of Industry for 1977-78 compares the production performance of major industries in 1977 in relation to 1976:

Production of Industries during 1976 and 1977

S. No.	Name of industry	Accounting unit	1976			1977			Brief explanation for appreciable fall or rise and other remarks if any
			No. of units	Installed capacity	Annual production	No. of units	Installed capacity	Estimated production	
1	2	3	4	5	6	7	8	9	10
	MECHANICAL AND ENGINEERING INDUSTRIES								
1.	X-Ray Equipment	Rs lakhs	4	435.00	400.48	4	435.00	450.00	..
2.	Electro-medical Instruments	,,	7	100.00	77.25	7	190.00	98.00	..
3.	Medical & Surgical Instruments	,,	11	455.00	362.46	12	476.00	400.00	..
4.	Industrial Process Control	,,	10	1600.00	1353.46	12	1708.00	1650.00	..
5.	Cameras	Lakh Nos.	1	5.02	5.03	1	5.88	6.00	..
6.	Safety Razor Blades	Million Nos	7	2095.00	911.91	7	2530.00	950.00	..
7.	Bicycles	Lakh Nos.	11	37.01	26.43	11	37.01	30 00	..
8.	Wire Ropes	Metric Tonnes	9	45.06	27.2	9	45.06	26.00	..
9.	Small Tools & Cutting Tools	Rs Lakhs	88	8000.00	5477.00	91	8110.00	5870.00	..
10.	Forged Hand Tools	Rs. Lakhs	11	2400.00	2068.00	13	2500.00	1960.00	Fall in production as one of major units was on go slow/strike.
11.	Steel Files	,,	5	700.00	629.00	5	700.00	690.00	..
12.	Precision Measuring Tools	,,	12	500.00	313.00	12	500.00	366.00	..
13.	Press Tools, Dies-Moulds, Jigs & Fixtures	,,	21	700.00	574.00	25	810.00	635.00	..
14.	Building and Road Construction Machinery	,,	10	620.00	475.61	11	645.00	451.00	One additional unit started reporting production.
15.	Ball & Roller Bearings	Lakh Nos	7	310.546	277.07	9	319.696	285.00	Increase in production consequent to increase in capacity.

—*Contd.*

1	2	3	4	5	6	7	8	9	10
16	Industrial Fasteners :								
	(i) H T Fastener	M.T.	15	19,096.00	8,230.00	15	19,246.00	9,400.00	..
	(ii) M.S. Fastener (Bolts, Nuts. Rivets Machine Secrews)	M.T.	15	47,576.00	26,969.00	17	47,576.00	32,350 00	..
	(iii) Wood Screw	Million Nos.	4	1,506.80	1,388.00	4	1,506.80	1,560.00	..
17.	Stranded Wire & Barbed Wire	Tonnes	7	28 840.00	7 916.00	7	28,840.00	8,200.00	..
18.	Wire Mesh	,,	4	19,580.00	6,492 00	4	19,580.00	9,000.00	..
19.	Wire Netting	,,	4	1,603.60	1,016.00	4	1,603.60	1,200.00	..
20.	Tin Containers including O.T.S. Cans	M.T.	38	110,847.00	63,816.00	38	115,205.00	69,000.00	..
21.	Drums & Barrels :								
	(i) Large Drums	M.T.	16	1,53,995.00	52,076.27	16	1,53,359.00	57,908 +26.92 lakh Nos.	..
	(ii) Small Drums	M.T.	23	18,451.00	4,379.63	23	18,451.00	4,015 M.T. 0.30 lakhs Nos	Slight fall in production item reserved for small scale sector.
22.	Aluminium Collapsible Tubes	Million Nos.	8	224.65	284.72	8	224.65	229.00	..
23.	Pilfer Proof Caps & Closures	,,	10	774.20	947.40	10	774.20	1,038.00	..
24.	Pipe Fittings	M.T.	11	21,720.00	5,430.28	12	21,720.00	5,626.00	..
25.	Industrial Coil Springs (Cold form)	Tonnes	4	3,860.00	1,464.00	4	3,860.00	1,700.00	..
26.	Welding Electrodes	Million Running Metres	21	742.00	498.00	21	742.00	498.00	..
27.	Air & Gas Compressors	Nos.	11	13,360.00	6,721.00	11	13,360.00	7,500.00	..
28.	Cast Iron Spun Pipes	'000 tonnes	9	478.60	233.00	9	478.60	160.00	(i) Lack of orders from Public Health Engg Depts. who are the only users (ii) Closure of 3 Units during 1977
					ELECTRICAL INDUSTRIES				
1.	Electric Motors	Miil H P	33	6.02	3.63	37	6.6	4.00	..
2.	GLS Lamps	Mill Nos	14	157.57	159.20	15	196.13	165.00	..
3.	Fluorescent Tube Lamps	,,	9	12.75	16.90	9	19.20	17.20	..
4.	Electrical Steel Stampings & Laminations	M/Tons	35	93,000.00	42,629.00	35	93,000.00	50,000.00	..
5.	Dry Batteries	Mill. Nos.	12	1,291.00	494.70	12	1,291.00	620.00	..
6.	Storage Batteries	Lakh Nos.	8	20.63	14.19	8	22.34	145.50	..
7.	Electric Fans	Mill. Nos.	16	2.99	2.38	16	2.99	3.20	..

—Contd.

2	3	4	5	6	7	8	9	10
AAC/ACSR Conductors	M.T	46	1,26,776.00	84,027.00	47	1,28,776.00	68,200.00	Due to shortage of aluminium the production is less
. PVC/PILC Power Cables	K M	12	24,607.00	17,704.00	12	25,761.00	19,500.00	The target to be achieved is slightly less due to shortage of aluminium
PVC/VIR Cables	MCM	25	1,255.15	481.56	25	1,255.15	450.00	The bulk of the production in this industry is house wiring cables, which is reserved for small scale industries units.
1. Enamelled Winding Wires/Strips	M.T.	29	26,030.00	13,424.00	29	27,012.00	13,500.00	..
2. Paper Covered Winding Wires/Strips	M.T.	26	17,060.00	6,294.00	26	17,060.00	6,400.00	..
3. Underground Telephone Cables								
(a) Dry Core Cable	K.M.	3	14,000.00	9,750.00	3	14,000.00	11,000.00	} Reserved for
(b) Coaxial Cables	K.M.	1	4,200.00	2,939.00	1	4,200.00	2,500.00	} Public Sector.
4. Domestic Refrigeration	Nos.	6	1,83,400.00	1,07,520.00	6	1,83,400.00	1,39,602.00	..
5. Room Airconditioners	Nos.	6	43,940.00	15,204.00	6	43,940.00	20,512.00	..
16. Industrial Airconditioning & Refrigeration Equipments	Rs. lakhs	25	2,720.00	13,86.88	23	2,720.00	1,535.62	..
17. Industrial Cooling Towers	,,	3	NA	385.02	4	NA	574.25	..
18. Water Coolers	Nos.	7	9,986.00	10,571.00	7	9,986.00	9,045.62	..
19. Industrial Fans and Blowers	Rs. lakhs	16	900	632.66	16	900	643.07	
20. Calcined Petroleum Coke	Tonnes	5	2,31,000.00	1,25,653.00	5	2,31,000.00	1,15,000.00	Production limited to the demand.
21. Calcined Anthracite Coal	Tonnes	1	4,000.00	517.00	1	4,000.00		Lack of demand.
22. Graphite Electrodes and Anodes	Tonnes	2	10,850.00	9,198.00	4	22,450.00*	10,500.00	*Two units with a total capacity of 15,000. tonnes are likely to go in production during this year.
23. Electrode Paste (Merchant Capacity)	Tonnes	4	60,000.00	10,653.00	4	60,000.00	6,600.00	Production limited to demand.

—Contd.

1	2	3	4	5	6	7	8	9	10
24.	Carbon Blocks or Electrical Machinery Brushes								
	(a) Metallic Grade	Tonnes	1	80.00	52 04	1	80.00	65.00	..
	(b) Electrographitised Grade	,,	1	80.00	42.01	1	80.00	46.00	..
	(c) Bakelite Grade	,,	1	20.00	1.09	1	20.00	5.00	..
25.	Midget Electrodes*	Mill Nos.	2	325.00	348 00	2	325 00	360.00	
26.	Cinema Arc Carbons	Mill pairs	4	18.00	10.00	4	18.00	10.6	..
27.	Power Driven pumps	Nos.	42	3,62,600.00	3,01,739.00	42	3,62,600.00	3,00,000.00	..
28.	Process Pumps	Nos.	4	6,500.00	3,788.00	4	6,500.00	4,000.00	..

*This production is by one unit only with a capacity of 250 Mill. Nos. for their captive consumption. The other unit whic was closed for the last three years has been taken over by new management and has already done some trial production.

AUTOMOBILE TYRES & TUBES

Sl. No	Name of the industry	Accounting unit	1976			1977			
			No. of units	Installed capacity	Annual production	No. of units	Installed capacity	Production	
								Actual (Jan. to Sept.)	Estimated (Jan. to De
1	2	3	4	5	6	7	8	9	10
1.	Automobile Tyres	Lakh Nos.	14	71.29	58.53	16	79.29	47.35	65.0
2.	Automobile Tubes	,,	14	73.73	46.78	16	81.73	41.55	55.0
3.	Cycle Tyres	Mill. Nos.	20	32.39	23.60	20	32.39	16.33	25.0
4.	Cycle Tubes	,,	20	3.304	16.50	20	33.04	10.97	16.0
5.	Conveyor Belts	M. Tons	5	48.10	48 96	6	5310	2916	400
6.	Fan & V. Belts	Lakh Nos.	5	83 82	74 48	7	85.68	59 70	80 0
7.	Reclaimed Rubber	M. Tons	10	21,620	17,920	10	21,620	11,695	16,00
8.	Hoses	Mill Metres	13	6 89	4.51	13	6.89	3.16	4.2
9.	Synthetic Ruber Cots	Lakh Metres	7	7.44	2.96	7	7.44	1.83	2.5
10.	Synthetic Rubber Apron	,,	7	7.09	4.77	7	7.09	2.98	4.5
11.	Carbon Black	M. Tons.	3	77,700	56,270	4	86,700	45,335	60,00
12.	PVC Conveyor Belts	Metres	2	1,15,000	1,40,292	2	1,15,000	54,375	70,00
13.	Rubber & Canvas Footwear	Mill Pairs	12	58.00	40.52	12	57.00	31.31	42.0
14.	Rubber Contraceptives	Mill. Nos.	2	325.00	283.72	2	325.00	192.26*	350.0

*This is for January to July.

LEATHER & LEATHER GOODS INDUSTRY

Sl. No.	Name of the industry	Accounting unit	1976			1977		
			No. of unit	Installed capacity	Actual production	No. of of units	Installed capacity	Estimated production in 1977
1.	Vegetable Tanning Hides	Cow Hides	10	19,03,992	8,61,962	10	22,12,000	7,71,200
2.	Chrome Tanning of Hides	,,	16	19,86,296	16,15,390	16	31,80,000	9,81,200
3	Western Type of Leather Footwear	Pairs	7	1,35,02,000	82,52,289	7	1,35,02,000	79,85,900
4.	Indian Type of Leather Footwear	,,	7	94,67,000	69,00,421	7	94,47,000	62,52,930
5.	Picking Bands	Kgs.	4	4,40,400	1,14,782	4	4,40,400	97,130
6.	Leather Belting	,,	4	1,62,000	54,973	4	2,10,000	64,555
7.	Glue	Tonnes	4	3,320	2,285,012	4	3,320	2,185
8.	Myroblan Extract	,,	2	7,704	780.1	2	7,704	1,985
9.	Cotton Hair Belting	,,	2	216	29.41	2	216	21.0
10.	Gelatine	,,	3	2,700	1900.69	3	2.700	1,540
11.	Ossein	,,	6	9,200	4247.98	6	9,200	6,410

CEMENT PRODUCTS INDUSTRY

Sl. No.	Name of the industry	Accounting unit	1976			1977			Remarks
			No. of units	Installed capacity	Annual production	No. of units	Installed capacity	Estimated production	
1.	AC Sheets & P. Pipes	Tonnes	11	6,37,000	4,88,267	11	6,37,000	4,12,716	
2.	Asbestos Textiles (Products Packing, Yarn & Mattresses)	,,	4	2,817	2,227	4	2,817	2,212	
3.	Asbestos Jointing & Limpet Sheets	,,	5	4,350	3,294	5	4,350	3,632	
4.	Asbestos Mill Board	,,	2	1,100	565	2	1,100	961	
5.	Ferrobestos Sheets	,,	1	100	52	1	100	22	
6.	Profex/Fabrax	,,	1	2,000	938	1	2,000	740	

PORTLAND CEMENT

Sl. No.	Name of the industry	Accounting unit	1976			1977			Brief explanation for appreciable fall or rise and other remarks, if any
			No. of units	Installed capacity	Annual production	No. of units	Installed capacity	Annual production	
1	2	3	4	5	6	7	8	9	10
1.	Portland Cement	Million tonnes	57 (location wise including split locations)	21.46	18.69	57 (location wise)	21.67	19.25(E) Actual upto Nov. '77	Power shortage in the southern states have reappeared. The import of the same has also —*Contd.*

1	2	3	4	5	6	7	8	9	10
								17.62 For same period in 1976 17.04	been felt in th states of U.P Haryana & We Bengal. The effe of the cyclone ha its impact on th production. o units in Andhra a Tamil Nadu. On unit was close for a while fo lack of finance.

CERAMIC INDUSTRIES

Sl. No.	Name of the industry	Accounting unit	1976			1977			Brief explanation for appreciable fall or rise & other remarks, if any
			No of units	Installed capacity	Annual production	No. of units	Installed capacity	Estimated production	
1.	Glazed Tiles	Tonnes	5	45,820	39,373	5	45,820	40,069	
2.	H.T. Insulators	,,	7	26,000	19,713	7	27,000	18,149	
3.	L.T. Insulators	,,	14	9,000	963	13	8,956	1,351	
4.	Stoneware Pipes	,,	12	76,464	60,199	11	73,560	47,256	
5.	Stoneware Jars	,,	8	9,546	4,800	6	6,288	4,159	
6.	Sanitaryware	,,	8	20,630	20,100	9	20,640	19,645	
7.	Crockery	,,	17	34,552	13,659	14	34,044	15,743	
8.	Synthetic Stones	Kgs.	1	28,800	11,590	1	28,800	17,771	
9.	Frits	Tonnes	1	4,020	1,500	1	4,020	2,210	
10.	Ceramic Colours	,,	1	60	50	1	60	47	
11.	Enamelware	Thousand pcs	7	30,030	15,000	7	30,000	15,743	

GLASS INDUSTRY

Sl. No.	Name of the industry	Accounting unit	1976			1977			Brief explanation for appreciable fall rise & other remarks, if any
			No. of Units	Installed capacity	Annual production	No. of Units	Installed capacity	Estimated production	
1.	Bottles & Vials	Tonnes	31	3,73,000	2,25,000	34	4,22,430	2,50,000	
2.	Sheet Glass	Million Sq. Mtrs.	7	27	20	7	27	24	
3.	Glass Shells	Million pieces	7	185	172	7	185	179	
4.	Vacuum Flask	,,	3	4.5	4.85	4	4.5	2.6*	*Previously under this head production of both flasks and refills were included. Now it covers vacuum flasks only.
5.	Laboratory Glasswares	Tonnes	1	7,200	2,378	1	7,200	2,450	

REFRACTORY INDUSTRY

Sl. No	Name of the industry	Accounting unit	1976			1977			Brief explanation for appreciable fall or rise and other remarks, if any.
			No of units	Installed capacity	Annual production	No of units	Installed capacity	Annual production	
1.	Refractory	Tonnes	56	15.00 lakhs	7,69,514	57	15,03,000	8,06,522	..
2.	Abrasive Grains	,,	5	17,100	13,568	..	..	..	..

MISCELLANEOUS INDUSTRIES

Sl. No	Name of the industry	Accounting unit	1976			1977			Brief explanation for appreciable fall or rise & other remarks
			No of units	Installed capacity	Annual production	No of units	Installed capacity	Estimated production	
1.	Cigarettes	Million pcs.	18	96,488	67,189	18	96,488	68,500	
2.	Filter Rods for Cigarettes	Million Rods in sixtuplicate	3	2,700	2,209	3	2,700	2,150	
3	Biscuits.	M. Tonnes	31	104,448	67,095	31	1,04,448	77,000	
4.	Confectionery	M. Tonnes	22	35,928	12,671	22	35,928	13,500	
5.	Bread	M. Tonnes	17	83,204	81,808	17	83,204	83,000	
6.	Soft Drinks	Million Bottles	34	1,731	670	34	1,731	460	
7.	Malt Extract	M. Tonnes	2	4,800	2,278	2	4,800	2,000	
8.	Breakfast Foods								
	(i) Pearl Barley	M. Tonnes	4	6,590	630	4	6,590	700	
	(ii) Corn Flakes	M. Tonnes	3	2,550	208	3	2,550	250	
	(iii) Oat Flakes	M. Tonnes	Nil	Nil	Nil	Nil	Nil	Nil	
9.	Guar Gum	M. Tonnes	8	41,500	22,477	8	41,500	26,500	
10.	Weaning Foods and High Protein Foods	-do-	6	8,951	6,500	6	8,951	7,250	
11.	Starch	-do-	9	1,68,600	1,11,284	9	1,68,600	1,20,000	
12.	Liquid Glucose	-do-	7	80,000	26,329	7	80,000	28,000	
13.	Dextrose	-do-	2	30,600	10,946	2	30,600	12,500	
14.	Anhydrous Dextrose	-do-	2	2,000	875	2	2,000	1,000	
15.	Enzymes	-do-	1	7,300	350	1	7,300	574	
16.	Drinking Chocolate	-do-	3	1,500	200	3	1,500	25	
17.	Chocolates	-do-	5	4,410	1,800	5	4,410	1,950	
18.	Cocoa Powder	-do-	3	642	105	3	642	15	
19.	Beer	K.L.	25	1,06,742	81,707	28	1,19,242	86,000	
20.	Plywood	Million Sq. Metres	34	48,734	T. 2,392 C. 32,790	39	57,535	T. 2.520 C. 36,700	
					Total : 35,182			Total: 39,220	
21.	Fibre Board	Tonnes	3	45,500	HB: 17,073 IB: 1,093	3	40,500	HB:19,500 IB: 1,400	
					Total : 18,166			Total : 20.900	
22.	Particle Board	Tonnes	8	44,900	8,412	8	44,900	9 900	
23.	Safety Matches	Million Boxes	5	3 950	3 941	5	5 000	3,930	

CONSUMER GOODS INDUSTRIES

Sl. No.	Industry	Accounting unit	1976			1977			Remarks
			No. of units	Installed capacity	Production uuantity	No. of units	Installed capacity	Production quantity	
1.	Tooth Paste	Tonnes	11	4,177	6,917	11	4,193	9,079	
2.	Tooth Powder	,,	5	1,059	1,274	5	1,059	1,412	
3.	Talcum Powder	,,	16	6,428	5,537	16	6,428	6,487	
4.	Face Powder	,,	12		70	12		72	
5.	Face Cream	,,	14	1,133	781	14	1,133	796	
6.	O.P. Stove	Nos.	2	35,000	2,921	2	35,000	1,800	
7.	Zip Fastener	Lakh Metres	2	29.30	14.59	2	29.30	10.00	
8.	Snap Fastener	Million Nos.	2	214.50	264.411	2	214.50	280.00	
9.	Umbrella Ribs	Doz. Sets.	1	740,000	348,130	1	740,000	600,000	
10.	Cutlery	M.T.	3	520	26,780	3	520	25,000	
11.	Pressure Cookers	Lakh Nos.	3	8.25	4.45	3	8.25	5.00	
12.	Steel Furniture	M. Tons	12	45,705	26,140	12	45,705	27,000	
13.	Hurricane Lanterns	Th. Nos.	6	4,772.80	2,106.58	5	3822.80	2,200	
14.	Clocks	Lakh Nos.	7	6.015	2.05	7	6.015	2.19	

PRODUCTION IN THE ORGANISED SECTOR

Sl. No.	Name of the Industry	Accounting unit	1976			1977			Remarks
			No. of units	Installed capacity	Annual production	No. of units	Installed capacity	Annual production	
1.	Oxygen Gas	Million Cu. Mtrs.	86	98.443	70.800	100	110.693	80.000	
2.	Dissolved Acetylene Gas	-do-	46	15.467	8.200	57	17.775	8.000	
3.	Argon Gas	-do-	5	0.874	0.486	5	0.874	0.571	
4.	Hydrogen Gas	-do-	7	4.223	2.050	7	4.223	2.723	
5.	Industrial Explosives	Tonnes	2	51,000	47,616	3	58,500	45,000	
6.	Textiles Auxiliaries	-do-	13	35,437	26,084	12	40,902	27,916	
7.	Resin Finishes	-do-	9	10,936	10,307	9	10,936	10,580	
8.	Calcined Petroleum Coke	-do-	5	2,31,000	1,25,653	7	2,31,000	1,15,000	
9.	Soap	-do-	46	2,26,418	2,69,816	45	2,25,818	2,83,000	
10.	Synthetic Detergents	-do-	9	1,55,000	7,500	15	2,00,000	1,03,920	
11.	Paints, Varnishes and Enamels	-do-	17	1,25,100	73,100	16	1,09,160	75,000	

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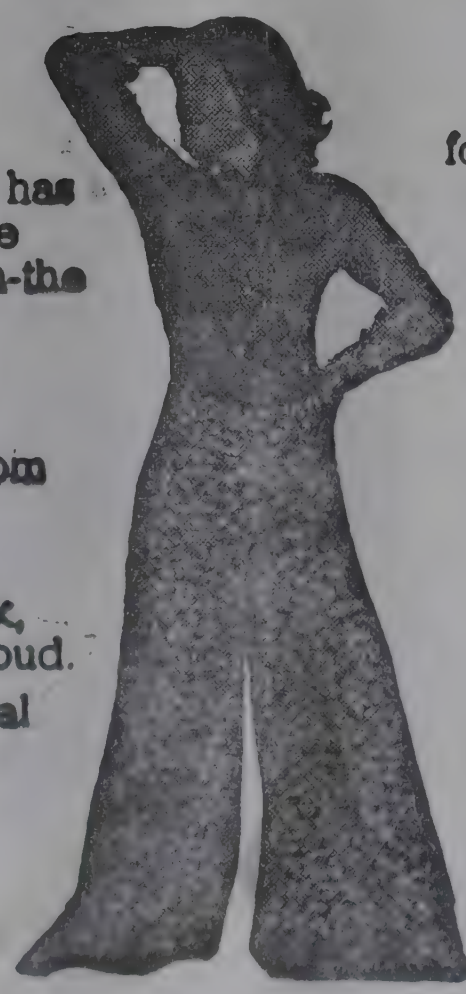
GDR TODAY

COTTON
THE KING OF FIBRES



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Company Affairs

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Issue 1000-1004

Records and Statistics

Chokshi Report on Direct Tax
Laws 1005

Plucking the goose with less squealing

WHETHER THERE would have been more tax philosophy or politics in the interim report of the Direct Tax Laws Committee, presented to parliament last week had Mr N.A. Palkhivala continued with and completed the assignment he had accepted as the chairman of this committee is only a matter for speculation now. Under Mr C.C. Chokshi, initially a member, who took over from Mr Palkhivala as chairman, the committee has addressed itself strictly to its terms of reference. It has refrained from suggesting any change in the basic tax policies or even the statutory structures and has kept before it clearly and firmly the purpose of helping in streamlining the administration so that its efficiency could be improved in the interest alike of the revenue and the assessee. Any substantial monetary reliefs that may accrue to one or more categories of payers of direct taxes as a result of its recommendation may therefore be largely incidental.

The interim report has examined about 12 issues in depth and communicated its proposals to the government. Its approach to the issue of depreciation is illustrative of its general decision to stick to its job of simplifying and rationalizing the administration of the direct tax laws. While therefore extending its sympathy generously to the economic concept of depreciation as a means of ensuring the retention of cash for rehabilitation, replacement or modernisation of fixed assets in the context of the secular trend of rising prices of capital goods, the Chokshi committee has suggested that the special incentives needed for the purpose should be considered and decided upon as a major issue of tax policy and not by "artificially distorting the concept of depreciation." The committee, in other words, has not favoured deductions in the computation of business income in respect of depreciation on the basis of replacement cost instead of historical cost and it has also rejected outright the demand for a provision for the obsolescence of assets caused by the fast pace of technological innovation or sophistication.

This means that the committee has gone by the accountant's concept of depreciation which is that only the capital expenditure incurred by business should be charged against the profits of the business over the useful life of the assets resulting from such capital expenditure before the true profits can be determined. However, according to the committee, even within this austere limit, the benefit of acceleration could be extended on a more flexible and liberal basis. Its recommendation is that, except in the case of ocean-going ships where the straight-line method of depreciation has been adopted, the existing practice of allowing depreciation on the reducing balance method, which provides for accelerated depreciation by larger write-offs in earlier years for assets in general, should continue, but with this change that the tax-payer should have the option in respect of the actual quantum of depreciation to be claimed against the profits from year to year. This option, however, will be subject to a maximum rate specified in the law, which will be applied to the written down value.

The maximum rates of depreciation suggested by the committee are 10 per cent for buildings including roads, culverts, bridges etc, 20 per cent for furniture and fixtures and 40 per cent for plant and machinery. These rates are to be applied to the original cost of the assets in the first year and to the written down value in subsequent years. Under this scheme, a tax-payer is free not to claim depreciation at all in any year or claim depreciation of any amount up to the maximum amount arrived at by the application of the above rates in each year, provided he chooses one single rate for all assets falling within the same class.

The report claims that, although the latitude allowed to the tax-payers with regard to the quantum of depreciation is less than total, its proposals will still result

in a measure of simplification besides certain incidental advantages to the assessees. For instance, a tax-payer may choose not to claim depreciation in a year of loss or low profit and thereby qualify for, or accelerate, his claim for set-off of past losses and in respect of deductions by way of tax incentives like amortization of capital expenditure of certain categories, investment allowances, tax holiday etc. Ocean-going ships in respect of which the straight-line method of depreciation has been adopted, are kept out of this scheme.

write-off suggested

In order that the tax incentives flowing from the degree of latitude recommended by the committee are retained in the business for further development, the report proposes that tax-payers should qualify for this scheme of depreciation only where the deductions are annually debited to the profit and loss account of the relevant previous year. As a matter of detail, the interim report suggests that full write-off (i.e., depreciation 100 per cent) should be allowed in the case of all assets where actual cost of any asset does not exceed Rs 10,000. This involves a change in the existing limit of Rs 750, which, moreover, applies at present only to plant and machinery. Finally the committee is in favour of the distinction between the charge of adequate amount of depreciation and the additional amount which may be claimed at tax-payers' option should be clearly maintained for all purposes including payment of dividend, bonus, managerial remuneration and provisions relating to capital issues.

On charitable trusts, again, the stand taken in the report is in favour of liberalizing the administration of the law rather than effecting any revolutionary change in the law itself. The committee recognises that here is a situation of over-legislation resulting in the provisions of the Finance Act being employed to control the management or the administration of charitable trusts. While agreeing with the Wanchoo committee that there should be a central law governing the functioning of these trusts so that the proper utilization of trust funds is secured, the Chokshi committee is of the view that the tax provisions relating to assessment of charitable and religious trusts should be vastly simplified in restricting them to the revenue purpose. It has been impressed by the argument that the total banning of activity for profit on the part of the trusts for the advancement of objects of general public utility creates unwarranted hardships since charities cannot exist without fund-raising operations, among which activities for profit could be reasonably included. It has accordingly recommended the deletion of this prohibition and has also suggested certain consequential changes in the Income-Tax Act. The report has favoured permission being given to business activity, mainly carried on by the beneficiaries, even if the business itself is not carried on in pursuance of the primary purpose of the trust.

With a view to help solve the problem of the trust as well as the tax department in the matter of computation of income for assessment purposes and for purposes of application of the objects of the trust, the committee is of the view that the law should provide for two different and totally independent computations, one for determining the assessable income and the other for determining the amount applied for charitable purposes by the trusts. While the assessable income under the Income-Tax Act should be computed strictly in accordance with the provisions of the Act, the amount to considered for the purpose of applicat to charitable objects should be only actual gross receipts of the trust less expenses actually incurred in earning income or in maintaining the trust p perty. In this computation, notio incomes or incomes not received a notional allowances and deductions amounts not actually expended w both be left out of account. If actual income so computed is eq to or less than the statutory incon i. e., the income computed und the provisions of the Act, the trust sho be required to apply either 75 per c of the statutory income or the whole the actual income whichever is le However, where the income so work out on an actual basis exceeds the sta tory income, it should suffice if trust applies either 75 per cent o actual income or the whole of statutory income, whichever is less.

The Chokshi committee has examin the practical impiications of Secti 72 (a) in the Income-Tax Act, which gi effect to a decision taken by the gove ment in the central budget for 1977-78 facilitate a company owning an industr undertaking amalgamating with anot company in circumstances where government is satisfied that the amal mation is in the public interest. Conc ned with the salvaging of sick industr

nits, this section provides that, when an amalgamation is approved for the purpose, the accumulated losses and any unabsorbed depreciation of the amalgamated company will be allowed to be carried forward and set off in the hands of the amalgamated company. In order to provide against possible practical difficulties in the implementation of this measure, the Chokshi committee recommends that a specific provision embodying the assurance already given by the government should be incorporated in the law to the effect that, once a scheme of amalgamation is approved by the central government, the companies concerned can go ahead and obtain the court's approval. This will assist in simplifying the procedure for qualifying for tax benefits provided under Section 72(a). There are also certain other proposals for facilitating or streamlining the application of this section.

simple formula

Addressing itself to the vexatious problems confronting both the income-tax department and the tax-payer in the matter of the valuation of house properties for wealth tax assessment, the committee is in favour of a relatively simple formula of determining the values of house properties by the method of capitalisation and the return actually received or which could reasonably be received from those properties. The rates of capitalisation are to be notified by the Board of Direct Taxes from year to year. In the case of owners of self-occupied properties' post 1971-72 assessment properties should be made eligible for this facility so that the valuation could be at actual cost or market rates based on the multiplier method, whichever is lower and accordingly to the advantage of the assessee.

Of much general interest are the proposals relating to the assessment procedure. The committee considers it imperative that the work-load of the income-tax department, which has assumed enormous dimensions, should be brought down by schemes of rationalization. Otherwise not only arrears of assessment or collection will keep mounting but the efficiency of the department may continue to deteriorate to the disadvantage of both the assessees and the public revenues. The committee places its faith in extending the area of summary assessment through providing for voluntary compliance with the tax laws by the assessees to the greatest extent possible. While the department should deploy its work force in such a manner that it is in a position to check within a period of three months from the receipt of the returns whether these returns are complete and tax payments adequate, the assessee for his part is to be required to complete in all respects a simplified and clearly worded form of return. With a view to ensuring that the returns are complete in all respects, it is recommended that there should be a specific legal provision according to which incomplete returns will be treated as invalid ones, attracting the consequences for delayed submission and, in certain circumstances, penalties for failure to file a return.

In other words, the assessee is expected to discharge fully his responsibilities as a citizen in order that the administration of tax laws is improved with benefit to him as well as the government. The committee believes that once this scheme comes into force, much more of the manpower, or other physical resources of the income-tax department will be released for the scrutiny of the more important categories of income-tax returns, including all company cases, 'sensitive cases' where tax evasion is suspected and other cases picked as random samples. It may be recalled that, when announcing the appointment of this committee, the Finance minister had emphasized the need for eliminating or greatly reducing the harassment casued to honest assessees by the departmental bureaucracy or its procedures. The thrust of the Chokshi committee's scheme of streamlining assessment procedures is conspicuous in the direction of requiring the assessee himself to share the responsibility for raising the level of efficiency of the tax machinery and reducing the incidence of corrupt practices or harassment of the public.

The gold auctions

THE FIRST auction of non-monetary gold by the Reserve Bank of India a few days ago, under the government's policy of selling gold to bring down its prices with a view to eradicating smuggling in the metal, has failed to yield the desired result. Instead of going down, even after the acceptance of the bids of authorised dealers, the price flared up to touch a new peak at Rs 725 for 10 grams of standard gold. It has come down subsequently to around Rs 700, but still is higher than the lowest touched on April 27—six days after the scheme for the auction was announced—by as much as Rs 55.

The behaviour of gold prices right since February 28, when the Finance minister announced that the government would resort to sale of gold, suggests that a good deal of manipulation is going on in the bullion market. Soon after this announcement, the price tumbled from Rs 689 per 10 grams to Rs 635 within three days, but recovered gradually to Rs 681 by March 13. There was again a slight recession and the price declined to Rs 663 on March 20 and 21. It, however, started moving up again to touch Rs 724 three days prior to the publication on April 22 of the scheme for the sale. The announcement of the scheme brought down the price to Rs 645. This setback too proved shortlived. The price firmed up again to touch Rs 725 despite the tenders for sale being called.

Wide fluctuations in the price of gold between February 28 and April 22 apparently could not be avoided, as the existing stock with the trade, which had been purchased at higher levels—the price of standard gold in the month of February ranged between Rs 702 and Rs 671—had to be liquidated without undue loss. If, however, one goes by the contention of the trade that smuggling of gold had come to a standstill after the Finance minister's announcement about the sale

of government gold, the liquidation of the existing stocks apparently could not have taken long in view of the marriage season and the start of the harvesting of the rabi crops which provides a boost to the demand for gold. After the liquidation of the high-priced stocks, the price ought to have gone down particularly after the bids had been accepted. The experience, however, has been just to the contrary.

A good deal is made out of the small quantity of gold sold by the Reserve Bank in the first aucion –492.6 kgs. This is attributed to rejection of a number of bids which were presumably below the reserve price. The total number of bids received is stated to have been 429, of which 13 were invalidated as no bid price or the quantity was mentioned or the bid forms were not signed. The bids accepted numbered 229. The quotations of the accepted bids ranged between Rs 620 and Rs 663. The position undoubtedly would have been somewhat better had the reserve price, presumably fixed at Rs 620—the lowest bid accepted—been lower. But what is surprising is that just 429 bids were tendered whereas the authorised dealers in gold approximate 10,000.

two factors

The small number of bidders is being attributed to two factors: (i) the procedure adopted for the auction; and (ii) the limited time made available for bidding. These arguments, however, do not stand scrutiny if note is taken of the fact that the dealers in bullion are a lot highly sensitive to all sorts of events not only in the country but also abroad. The truth perhaps is that most of the authorised dealers preferred to watch the outcome of the first auction instead of participating in it. The possibility of cartelisation among the dealers too cannot be ruled out. It is interesting to note that out of 229 accepted bids, as many as 104 were from Bombay alone. Nine bids were accepted from Madras and only one to five winning bidders represented the remaining 59 towns in the states of Maharashtra, Gujarat, Madhya Pradesh, Tamil Nadu, West Bengal, Uttar Pradesh, Andhra Pradesh, Karnataka, Kerala and Delhi. No bidder was successful from the remaining states and union territories.

Even the acceptance of the bids to the extent of the sale of about half a tonne of gold should have had a softening effect on the market immediately. To that extent the supplies in the market were to be augmented. The effect on the price, however, was just the contrary. This phenomenon is attributed to a slight delay in making available gold against the accepted bids. Surely, the floating stock in the market had not been exhausted altogether. Otherwise, how could the price go down from Rs 693 on April 22 to Rs 645 on April 27? Was the price deliberately brought down before the tendering of bids so that bids could be lowered? Perhaps any excuse is good enough for the bullion dealers to manipulate prices!

important question

The procedure adopted by the Reserve Bank for the sale of gold against the accepted bids also raises an important question. The sales are stated to have been effected at the tender prices ranging from Rs 620 to Rs 663. This procedure obviously has benefited a great deal those whose bids were lower, as the market price apparently is to be governed by the higher bids. One fails to understand why an average weighted price of the accepted bids was not taken as the basis for sale so that all bidders could receive gold at a uniform price. The auction procedure of the IMF, on which our gold sales scheme is patterned, provides for both the systems of sale, namely, sales at the bidders' prices as well as at a weighted average price. In the international market where the bidders are from different countries, the sales at bid prices make some sense, as the domestic prices vary from country to country and they have to be taken into consideration. But even then, the IMF frequently sells gold only at the weighted average price of tenders. It is hoped that this lacuna in our gold sales scheme will be rectified soon so that no undue advantage is allowed to be derived by the lower bidders. This objective can as well be achieved if sales are effected at the price at which the maximum quantity of gold has been bid.

The procedural matters, indeed, should get sorted out by the time the second the third auction is held. But the expect tion that the price of gold will con down with two or three more auctio may not fully materialise without signi cant modifications in the sales schem

premium on gold

If smuggling is to be eradicated, th premium which gold enjoys in the India market over the international price has t be brought down substantially. Currentl it amounts to approximately 40 per cen Smuggling can stop only if the premiu including the sales tax, does not excee about Rs 100 over the international pri which presently ranges around Rs 500 fo 10 grams. This implies that the reserv price for governmental sales has to b reduced significantly. A higher reserv can be expected to act as a limiting facto to the quantities tendered for, as with th end of the busy season not very distan the authorised dealers obviously canno be expected to build up large stocks.

To thwart any attempt at cartelisatio among the authorised dealers, two othe steps can be considered by the goverr ment. The government, however, has t first make up its mind clearly as to wha it is endevouring to achieve. Eradicatio of smuggling warrants bringing down th domestic price of gold to the leve suggested above. The government obv ously cannot achieve this end if it want to simultaneously cash in on the lure fo gold by keeping the reserve price as hig as possible. The availability of gol in the market has to be augmented if perceptible impact has to be made on th price. If the goldsmiths as well as th general public are allowed to buy straigh from the Reserve Bank or some othe agency authorised to sell gold, for ins tance the State Bank of India, the situa tion can improve expeditiously. Indus trial consumers are already being suppl ed Hutti gold against tenders through th State Bank of India. The sales of th authorised dealers are primarily to gold smiths. Why not then supply gol directly to the goldsmiths? The goverr ment, in fact, is understood to be cons dering this proposition.

So far as allowing the general public t

ay gold straight from the governmental gencies, the main hindrance apparently the Gold Control Order which prohi- ts possession of gold in bullion form by e public. But the ineffectiveness of is clause is common knowledge. What individual has to do to get out of the urview of this clause is to get bullion onverted into some crude ornament at n insignificant cost. Direct sales to ublic in small pieces of 10 to 50 grams an have a very salutary effect on the old price. To contain possession of nduly large quantities of gold by the eneral public, the present ceilings on the ossession of gold can well be lowered. Being appreciably high, they do not erve much purpose. Incidentally, lower- ng of the ceilings upto which a person or family can keep gold presently in the form of ornaments, without declaration, nd making it incumbent on the posses- ors of higher quantities to declare their oldings can have a wholesome effect on wealth tax receipts.

unwarranted fears

The fears about the present stock of non-monetary gold with the government being lapped up quickly seem to be unwarranted. This stock is estimated to be worth around Rs 500 crores. The stock built up through confiscation of smuggled gold alone is reported to be about 25 tonnes. This itself can feed the market for over a year as the total annual recycling of gold is understood to be not more than 75 tonnes. Of this, gold ornaments are reconverted into new ones to the order of about 60 tonnes a year. The additional standard gold requirements, thus, do not exceed 15 tonnes per annum.

Besides the confiscated smuggled gold, the government has some stock of ornaments built out of the voluntary contributions or surrenders by the public after the Chinese aggression. But much more significant is the stock built up from the output of the Kolar goldfields which has not been off-loaded in the morket for over two decades. Even if the price of gold goes down significantly, the mining of gold at the Kolar fields should remain a profitable proposition. Further, part of the increased earnings from exports of jewellery, as a result of the gold sales scheme for jewellery exports, which is expected to be announced shortly, can be utilised for importing, if necessary, some gold for internal consumption as well. After all, some leakages under this scheme have to be there even otherwise. The government also needs to consider whether it should go in for purchase of ornaments offered for sale in the domestic market invariably in distress. The revival of pawn-broking with banks can be a useful step in this direction.

New loans

THE ANNOUNCEMENT by the central government relating to the issue of three new loans having a notified amount of Rs 500 crores, in the first tranche of the borrowing programme for the current financial year, has come as a complete surprise in money market circles. In view of the unsatisfied demand for terminable loans, it was expected that the Reserve Bank would make an early attempt to issue new loans even though the maturing $4\frac{3}{4}$ per cent 1978 loan, outstanding for Rs 132.86 crores, falls due for payment on July 1. There was actually annoyance over the delay in making the announcement as large amounts had to be compulsorily invested in treasury bills and chaotic conditions prevailed in the inter-bank call market with the rate quoting around five per cent borrowers over. It was not also clear why the Finance ministry desisted from issuing new loans in February-March this year when banks were keen on increasing their investments in dated securities and the government also could state that the uncovered deficit in 1977-78 in the revised estimates was only slightly more than that assumed in the budget estimate.

Even though an overall deficit of Rs 975 crores has been indicated in the revised estimates, the sharp increase in the floating debt with heavy investments in treasury bills by banks should have resulted in a significant contraction of this deficit. In fact the high level of cash balances of the central government suggests that there has been an unexpected increase in revenue and capital receipts and probably a substantial reduction in Plan outlay over the revised estimates.

In view of the fact that central government deposits stood at the unprecedented high level of Rs 3,616.10 crores on April 28, 1978, against less than Rs 350 crores on April 29, 1977, there was no need for coming out with new loans and increasing the burden of the interest charges. However the institutional investors were worried about an embarrassing accumulation of surplus funds and lack of scope for lending even to borrowers in the priority sectors in a big way in a short period. The floatation of new loans is therefore being made mainly to meet the needs of banks, the Life Insurance Corporation and provident funds.

The three government of India loans—the 6 per cent 1988 (third series), the 6.25 per cent 1995 and the 6.75 per cent 2006—all at par, for a total notified amount of Rs 500 crores, which opened for subscription on May 15, were closed within a short time, on being fully subscribed.

The Reserve Bank has announced that all subscribers will receive full allotment.

It would have been normally expected that the Finance ministry would be keen on exploiting fully its advantageous position as a borrower in an easy money market and revise the terms of new loans in such a way that the policy of retreat from dear money was carried a step further. It was also logical to expect that the Reserve Bank would decide to issue a long dated loan only after formulating its new policy and effect re-issues only of medium long dated issues. It was justifiable to expect that fresh borrowing would be on a cheaper basis especially as there was reluctance to reissue earlier loans and compel only investments in treasury bills.

In retrospect, it is difficult to say

whether a deliberate policy was pursued in the last quarter of 1977-78 in not effecting reissues of earlier loans with a view to conserving resources for use in 1978-79. But the developments in the gilt-edged market have come about in an unexpected manner and with a big bulge in deposits of scheduled commercial banks and no large demand for funds, there had necessarily to be an increase in the floating debt with sales of treasury bills. This development has actually resulted in reduced availability of funds for 1978-79 though the budgetary position for the previous year had improved considerably with larger revenue and capital receipts and lower expenditure, as indicated earlier.

The difficulty has arisen because of the lack of a proper understanding of the vastly expanded capacity of the gilt-edged market with bulging bank deposits, larger additions to the assets of the Life Insurance Corporation and provident funds and slow expansion of non-food credit. There has actually been a static trend in food credit in the past year and even the disposition on the part of the central exchequer to use its resources temporarily for reducing the liability of the Food Corporation. There will necessarily have to be periodic floatations of new loans during the current financial year in order to feed the gilt-edged market regularly with appropriate types of securities and avoid also unnecessary building up of pressure, through unduly large demands by the central and state governments and public bodies at less frequent intervals.

modest issue

The announcements retating to the mobilisation of Rs 500 crores through three central loans, with the right of the government to accept subscriptions up to 10 per cent in excess of the notified amount cannot however be considered as massive borrowing even if the accepted amount has been Rs 550 crores on account of over-subscriptions. The delay in effecting earlier reissues has actually compelled the Reserve Bank to fix a high target for the first phase of the borrowing programme of the central government in 1978-79. There has been conversion of outstanding treasury bills by banks apart from cash subscriptions. It will be possible again on July 1 to raise another Rs 500 crores gross. Allowing for the repayment of the maturing loan the net amount raised can be around Rs 350 crores enabling the Finance ministry to secure as much as Rs 900 crores within four months against the target for net borrowing of Rs 1649.82 crores.

The target for gross borrowing is Rs 1830 crores, there being two maturing loans for Rs 180.18 crores. While 4¾ per cent loan 1978 is outstanding to the extent of Rs 132.86 crores and falls due for repayment on July 1, as stated above, the 5¼ per cent 1978 loan is outstanding to the extent of Rs 47.32 crores and has to be redeemed on November 22, 1978. The Reseve Bank will have to raise only Rs 750 crores in eight months after completing the first two tranches and it will not be surprising if aggregate net borrowing exceeds Rs 2000 crores in the whole year as the scheduled commercial banks alone will be in a position to invest over Rs 1200 crores net in central loans. The outlook for borrowing has never been so rosy as it is now.

organised retreat

It is therefore difficult to understand why the terms of the new loans have been conceived on the basis which will be costlier to the government. Even if the cost factor may not be prohibitive in the narrow sense as interest charges in 1978-79 will be higher only in respect of the new long dated loan which carries interest rate of 6¾ per cent for the first time in recent memory the monetary authorities have decided to increase the yield basis in respect of government securities even when conditions in money market circles are extremely comfortable. It was generally expected that there would be an organised retreat from dear money. The terms of the new loans have therefore surprised experts in the money market. The 6 per cent 1988 loan was offered at par against 6 per cent loan 1993 in October last year at Rs 99.50. The 6¼ per cent 1995 loan has been offered at par while 6¼ per cent loan 1998 was issued at par in October last year. A great surprise has been sprung by th issue of a new long dated loan carryin interest at 6¾ per cent at par while th earlier efforts were aimed at increasin the duration of the loan even while mai taining the interest rates at 6½ per cen The 2005 loan bearing interest at 6½ pe cent was issued at par in October la year and was being sold by the Reserv Bank recently at Rs 100.60.

a puzzle

The change in the basis of borrowin has been followed up with a lowering o selling and buying rates for differen loans by the RBI. The adjustments var between 15 Ps and Rs 1.65 dependin upon the types of securities. It is won dered why the Reserve Bank adopted move which will result in a depreciatio in the value of securities by 1—1½ pe cent when investors were encouraged t expect an appreciation in the value o long dated securities and portfolios con tained a larger proportion of mediu and long dated securities. While durin the period of World War II the policy o cheap money was overdone, there was n justification for the latest move whic will curtail freedom of action for th Reserve Bank in shaping feature policies

It may of course be said that banks an other institutional investors will get th advantage of higher return on fresh inves ments. But it will take time to overcom the loss in market value as there is als speculation about the rate of interes on state loans and bonds of public bodies If the yield is raised, there may be furthe depreciation in value of all holdings ove book cost. The only justification for cos lier public borrowing lies in the fac that interest rates on new loans were ou of alignment with the general structur of interest rates and even with a reduc tion in the bank rate to 8 per cent or 7 per cent there may not be any need fo lowering rates on government securitie and bonds. Whatever may be the con troversy about the new policy for publi borrowing, the central government ca exceed comfortably the target for ne borrowing and reduce substantially th overall deficit, and even wipe it out, a there will also be sizeable proceeds fron gold sales and larger revenue receipts.

CAPITAL'S CORRIDORS

R. C. Ummat

Censure motion • Dilution of foreign equity • Joint ventures abroad • Public distribution plans

THE JANATA government at the centre last week faced the first no-confidence motion during its 13-month tenure. The motion was brought before Lok Sabha by the two Congress parties. Starting on a stormy note, it, however, ended in a whimper. It was rejected by a voice vote.

Interestingly enough, as the debate proceeded, it could not maintain the interest even of the movers of the motion. The attendance in the House remained thin during most of the 10-hour debate. The primary reason for this appeared to be that the grounds on which the government was proposed to be censured practically were the same on which a number of calling attention notices had already been brought during the current session of parliament. The grounds included the alleged "dismal failure" of the government in redeeming its pledges and in solving the problems of the common man; the growing repression on Harijans and other weaker sections of society; erosion of self-reliance and self-sufficiency objectives; support to the capitalists, the landlords and the oppressors, suppression of the right to democratic protest and democratic dissent; the erosion of the credibility of the government as reflected in the ruling party recently losing several by-elections to Parliament as well as state legislatures in north India, etc. A good deal was made out by the opposition of the internal dissensions of the ruling party. A specific attack was also mounted on the prime minister's son and his principal private secretary. The latter was alleged to be heading a caucus around the prime minister.

The wind out of the motion, of course, had been taken out by the prime minister in the very beginning by stressing that he was expecting the motion against his 13-month old regime. He insisted that the discussion on the move should be taken up straightaway and added that it would provide an opportunity for the two Congress parties to combine, on the one hand, and to the Janata party to close its ranks, on the other.

opposition assailed

The hard hitting speeches from the opposition benches by the leader of Congress (I), Mr C.M. Stephen, Mr T.A. Pai (Congress), Mr Hitendra Desai (Congress) and a couple of others, however, were effectively countered by the spokesmen of the treasury benches, particularly the Defence minister, Mr Jagjivan Ram, and the minister for Steel and Mines, Mr Biju Patnaik. Both the ministers assailed the opposition for making much ado about the dissensions amongst the various constituents of the Janata party and asserted that the opposition was even more divided. The Janata party, they stressed was a live and democratic party. Differences of opinion were bound to be there in any national party. They were not being suppressed in the Janata party.

The prime minister's intervention in the debate also was a spirited one. He listed the achievements of his government both in respect of restoring democracy and freedom of speech and expression and on the economic front in the form of stabilising the priceline and initiating measures to give a new orientation to the economy. He asserted that many of the wrongs perpetrated by the previous regime had been washed out by his government in just about a year. The remaining wrongs would be rectified in another 12 months. The prime minister told the opposition that it was mistaken if it thought it could benefit from the differences in the ruling party. He emphasised that differences were natural in the background in which five parties had come together under pressure of public opinion to form the Janata party. He felt confident that the Janata party would be cemented fully and completely in none-too-distant future.

The prime minister challenged the opposition to bring any prima facie case of corruption against his son and asserted that if the opposition did so, he would not hesitate to order a trial of his son. He also strongly refuted the allegation that his principal private secretary had formed a caucus around him and was influencing him or other ministers in any way. He challenged the opposition to cite a single instance where his principal private secretary had overstepped his jurisdiction and encroached upon his decisions.

As could be expected, the Rajya Sabha, in which the opposition is in majority, rejected the Finance minister's proposals to impose excise duties on generation of electricity and coal. This necessitated Lok Sabha reconsidering the finance bill for the current year. The bill, however, was adopted on reconsideration by the House as the ruling party has sufficient strength there.

* *

The government does not permit raising of additional capital by foreign companies merely for the sake of diluting the foreign shareholding to the stipulated levels under the Foreign Exchange Regulations Act. If a foreign company has no approved expansion or diversification programme, the dilution of foreign shareholding has to be brought about by disinvestment of the foreign shareholding and not by going in for raising additional capital in the Indian market.

Consents for raising additional capital by foreign companies are accorded taking into consideration the needs for fresh capital with reference to their capital expenditure programmes in the immediate future. If a company holds a letter of intent or an industrial licence for the expansion or diversification of its activities in the lines open to it, permission is granted for raising additional equity capital to the extent considered necessary.

Similarly, if the corporate needs of a company justify the raising of additional capital, it is allowed. Any proposal which might suggest that the additional capital needs coincide with the amount required for dilution of foreign shareholding to the stipulated level is not approved.

In permitting additional issue of capital, the scope for servicing the enlarged capital base is kept in view as also the requirements for the listing of shares on the stock exchange.

In the matter of distribution of foreign shareholding to Indian residents, preference is given to the shares being placed on the market through the issue of a prospect us. If, however, the company is already listed on the stock exchange and its shareholding is widely diffused,a rights issue to the existing Indian shareholders is permitted. Depending on the size of the issue and the existing pattern of the shareholding of the company, public and rights issues are allowed to be made on approval by the government. In appropriate cases, a suitable allotment of shares to the public financial institutions is stipulated. Reservation of shares within reasonable limits for the employees and the business associates of a company is also allowed.

* *

As many as 89 ventures are stated to have been set up abroad by Indians in association with local entrepreneurs. The largest number (25) of such ventures is in Malaysia The other countries in which joint ventures have been established include Afghanistan (1), Canada (2), Fiji Islands (1), France (1), Hong Kong (2), Indonesia (7), Iran (2), Kenya (6), Mauritius (6), Nigeria (4), Oman (2), the Philippines (3), Singapore (4), Sri Lanka (3), Thailand (5), Uganda (1), United Arab Emirates (4), the United Kingdom (4), the United States of America (5) and West Germany (1).

The total Indian investment in these ventures approximates Rs 23 crores, out of which about Rs 2.4 crores are accounted for by capitalisation of technical know-how and engineering service fees. The dividend remittances by these ventures till now have been of the order of about Rs 2 crores and the remittances on other accounts such as technical know-how fees, engineering fees, etc., around Rs 4 crores. Much more significant contribution of these joint ventures to the Indian economy, however, has been in the shape of exports of plant and machinery, spares and components and raw materials. This contribution is estimated around Rs 40 crores.

The joint ventures abroad cover such fields as textiles, sugar manufacture, hard board, engineering products, etc.

* *

The new approach finalised by the government for increasing the production of essential items of mass consumption and for making them available equitably and efficiently, particularly to the weaker sections of society and the working population in the country, envisages the creation of a permanent system. Concerted efforts are to be made to extend the distribution system to the rural areas. The commodity coverage of the distribution system is proposed to be extended gradually as the network of the system grows. The existing infrastructure facilities are to be made use of to the optimum in the new approach.

The following are the more important features of the new policy for strengthening the public distribution system:

(i) Effective distribution of essential commodities already covered and gradual addition of new commodities to the system. The scheme envisages initial coverage of cereals, sugar, kerosene, cloth, vegetable oils and vanaspati and selected manufactured items of mass consumption.

(ii) In respect of selected manufactured items of mass consumption, such as toilet and washing soaps, salt, matches, tea, exercise-books, common drugs and medicines, the concerned administrative ministries of the government, in consultation with the state governments, have to take up the responsibility of monitoring production, availability and retail prices. The ministries concerned are to be responsible for making assessment of the overall requirements and, in particular, the needs of the vulnerable segments of population and for taking measures to meet them.

(iii) Buffer-stocking of cereals, pulses, edible oils or oilseeds, cotton, etc., and imports of the required essential articles.

(iv) Bringing about rationality in t areas of storage, transport and distrib tion costs.

(v) Removal of imbalances in t allocation of commodities between urb and rural areas and their prices.

(vi) Optimum use is to be made of t existing infrastructural facilities in t private and public sectors. The emphas is to be on devising effective systems distribution and expansion of the coop rative network, both in the urban ar rural areas, for distribution. If necessa the gram panchayats may also be enco raged to take up this responsibility.

(vii) Increase in the number of reta outlets to cover far-flung areas in such way that there is at least one outlet fo a population of 2,000.

(viii) Improving the viability of fai price shops through judicious sales-mi and maximum sales turnover.

(ix) Establishment of vigilance com mittees with the involvement of con sumers endowed with statutory power for exercising supervision and vigilanc over the public distribution system an safeguarding consumers' interest. High powered committees are to be set up a the centre and state levels for coordina tion and supervision of the totality of th distribution, to oversee the activities and recommend suitable measures to govern ment from time to time.

The production of essential mass con sumption goods is to be raised in variou ways. As no difficulty is expected to b encountered in making available adequate supplies of cereals and sugar, greater attention is to be paid to stepping up the production of cloth, vegetable oils and vanaspati and selected manufactured products. Imports, particularly of cotton and manmade fibres and vegetable oils, have already been liberalised to bridge the gap between the demand and the domestic supplies. Further liberalisation is not ruled out in case warranted. It is hoped that multiplication of small-scale, cottage and rural industries will go some way in augmenting the supplies of mass consumption manufactured products along with increasing the purchasing power in the rural areas which will indirectly help in fuller utilisation of the capacities for the production of these goods in the large-scale sector.

Forestry for employment promotion

M. M. Pant

An attempt has been made by the author who is Forest Economist, Forest Research Institute and Colleges, Dehra Dun, to assess the employment potential held by the forestry sector. The study gauges the employment possibilities in terms of "man-days" and is based upon a series of models formulated on the actual working in the forest. The principle of assessment envisages a one-dimensional linear approach and includes the expertise of the forestry agencies in India.

FORESTRY IS the art and science of creating, maintaining, and appraising the forest resources with the object of producing goods and services* on a sustained basis for the welfare of mankind and his environments. Statutorily, "Forest" means any area of land proclaimed as such under law or tradition. Forest land in the economic sense includes all animate and inanimate objects (exclusive of man), all elements—appertinent to it.†

With its vast material resources and recurring operational activities, forestry is capable of employing the society's unemployed and under-employed rural manpower. With the growing consciousness for trees and plantations, forestry is gradually extending to roadside and canal bank, community and village waste lands, farm bunds, etc., but, by far the greater bulk of the forests continues to be in the remote areas, where forestry is the main source of employment. In the context of India's main objective for economic development, i.e., "employment for everyone", forestry plays an important role through frontal attack on the problem of under-employment and un-employment even in remote areas of the country.

present position

This article discusses the present position of employment: How, to what extent, and for whom does the forestry sector cater? Measures necessary for motivating the labourer to take up forestry works: his training, health and safety in forest working, and development of logging tools, etc., for increasing the employment opportunities of forestry sector at a higher income level and under better living conditions necessary for the economic development of the country, have also been envisaged.

The existing employment opportunities in the forestry sector (which in India, are very different from other countries) have been listed further and estimated by the use of a series of models based on the actual working in the forest and by taking the total forest area of

POINT OF VIEW

India as 749,640 sq. km (1973-74). In computing the per unit manpower requirements of goods and services of socio-economic importance to Indians, the expertise available with the various forestry agencies has been availed of. The models used for estimating the per unit output have been incorporated.

Traditionally, forestry works are seasonal jobs for persons who have subsistence agriculture or alternative local employment. An effort has been made in this article to present a cogent picture of the employment potential of the forestry sector. This has been rationally worked out by converting the cumulative and/or whole time work effort provided by forestry sector on the basis of an eight hou "man-day".

Forestry sector provides employmen under following categories:

1. Direct employment;
2. Self employment; and
3. Secondary employment based o forest industries.

Direct employment is provided by the forest services and other public forestry agencies in the form of managerial, technical, research, planning and executive jobs: Recruitments for these regular salary jobs—the backbone of forestry in India—are made through various competitive systems held in urban areas. On April 1, 1975 this manpower was 138,702 individuals.

labour force

The other category of labour which is recruited from the rural areas consists mainly of that section of labour force which is willing and able to perform, arduous, physical labour in remote areas. These manual labour activities are connected with the growth, development and maintenance of the forests, research and training in forestry and logging, pre-investment survey of forest resources, forest protection; soil and water conservation, conservation of flora and fauna including fire protection; harvesting of major forest produce including: felling, logging, conversion, transport (manual and river floating); harvesting, collection and picking of minor forest products including charcoal, cashew, lac, resins, silk, *tassar*, extraction of *katha* and *cutch*, essential oils; plantation activity including preparation of nurseries, soil working, fencing, planting and protection; development of infrastructure: road and building construction, laying out of telephone lines, provision of drinking water facilities, establishment of labour colonies, schools and primary health dispensaries.

The level of direct employment generated through various activities, estimated

*A good or service is anything which yields satisfaction or utility to someone.

†It covers all material and forces, which are nature's bounty to man including rivers, mines, wind, light, heat, gravitation, etc. (Alfred Marshall's definition of land modified). In our context, in this article, this term would exclude minerals, rivers, etc.

with the help of various models, is as follows:

Present Direct Employment and Potential

(in million man-days)
i.e. mm days

Direct Employment:	
(a) Regular staff hired by various forestry agencies.	53.63
(b) Casual staff, public	1.29
Seasonal Labour:	
1. **Harvesting operations for:**	
(a) Major Forest products:	
(i) Coniferous wood	8.90
(ii) Non-coniferous wood	35.60
(iii) Pulp wood	10.25
(iv) Fire wood	80.67
(v) Seasonal supervisory labour	10.05
(b) Minor Forest Products: (*bidi*, bamboos, canes, grasses, cashewnut, charcoal, essential oils, resins, fibres & flosses, gums, honey & wax, horns & hide, *katha*, cutch, lac, medicinal herbs & drugs, myrobalas, oilseeds, pine oleo-resins, raw *tassar*, silk, sandalwood, seed for propagation).	346.10 (556.52)*
2. Works (developmental)	42.60
3. Plantation activity	31.29
4. Protection	9.34
Total	626.72

*Potential

Self-employment could be defined as a forest resource based activity, employing the individual(s) in production processes whose output or benefit is wholly or partly consumed by the person(s) employed. The output may, or may not, directly reach the market. Such self-employment activities are: removal of head-loads of firewood and fodder (forage) from the forest, grazing, and lopping, availing of rights and concessions, collection of honey and other food items from the forest, raising of food crops: cereals vegetables and fruits through agri-silvicultural practices, social and farm forestry programmes, which help build the fuel and fodder resources of the rural areas besides ameliorating the living conditions of the masses.

The estimation of forest resource based self-employment activities has been done through several methods discussed below:

Removal of head loads of firewood : It is estimated that about 66,136,000 m^3 of wood are illicitly removed yearly, as head loads. Assuming an average employment of 25 man-days per tonne or 1.3 cu.m (r) of wood removed as head loads, the estimated employment is more than 1,271.85 mm days.

Grazing: The number of cattle and buffaloes that grazed in the forests during 1976 was estimated at 62.03 million. The estimated number of graziers, was 3.101 million. This employment works out to about 1,131.87 mm days per year.

Lopping and grass cutting: It is assumed that the employment provided by this activity is at least 1,132 mm days, the same as estimated for grazing.

Raising of food crops through agri-silvicultural practices: Estimation of the man-days for this activity poses several problems: besides the main crop, the cultivator is simultaneously engaged in other productive activities. Assuming Rs 30 as a man-day and taking Rs 11.7 million as the annual value of the food crops produced in UP from 10,000 hectare of agri-silvicultural plantations, the employment was estimated at 0.390 mm days.

agri-silvi practices

The annual area afforested under agri-silvicultural practices in the country is roughly estimated at 45,551 hectare. This is based upon the assumption that the extent of agri-silvicultural activity as a proportion of the total yearly plantations (156,470 hectare) in the country is the same as that in UP. The estimated man-power required is 1.776 mm days.

The self-employment, which is largely based on M.F.P. pursuits is estimated at : removal of firewood as head load—1,271.85 mm days; grazing—1,131.87 mm days; lopping and grass cutting—1,132 mm days; raising of food crops through agri-silvicultural practices—1.776 mm days; a total of 3,537.496 mm days.

The secondary employment is generated through activities which process the forest product and bring the output of the forestry sector closer to human consumption. Main amongst these are :

Primary forest industries: Saw milling, sawing and planing of wood, pulp and paper, plywood and panel product, wood seasoning and preservation, wood wool and tanning.

Secondary forest industries: Sports and athletic goods, match splints and veneers for match industry, boxes, crates, drum barrels, and other wooden, bamboo or cane containers, furniture and cabinet, bullock cart and agricultural tools and implements, body for trucks, railway coaches, structural wooden goods, posts, doors and windows, artificial limbs, boats, toys, bamboo furniture and baskets, musical instruments, pencils, slates, packing cases, photo frames, rifle, shuttles, bobbin blocks, handles, drawing and mathematical instruments, wood carving, wooden utensils, etc., in processing minor forest products; pine resins for rosin and turpentine, and *bidi* making.

official data

The estimates for the primary and secondary forest industries are based on 1971 census, the data pertaining to these was procured from the data bank of the Institute of Applied Manpower Research, New Delhi. Assuming that the labour in the secondary processing industries works for 300 days a year, it is estimated that the primary forest industries provide—47.04 mm days of employment and secondary forest industries provide 401.29 mm days of employment, a total of 448.33 mm days of employment.

It is evident that against the man-power employment potential of 550.52 mm days for the harvesting of minor forest products the present employment is only 346.10 mm days. The bulk of the minor forest products remain unharvested and are thus lost to the society for all time to come. Why? An answer to this could be traced to the fact that forestry as an employment opportunity gives mixed feelings to the rural public. Mixed, because recruitments for the regular, supervisory jobs are limited and made through competitive examinations held mainly in the urban areas. The only other jobs available to the rural masses

involve physical labour. In general, this kind of forest work is arduous, seasonal and erratic and the earning capacity of an individual, is low (Rs 2—5 for unskilled and Rs 6—9 for skilled labour), and tends to drop overtime after the age of 45. Out of this category, most of the present day labourers do not want to leave their village for long and prefer to work in the neighbouring areas. It is generally this class, mainly landless, which is attracted to forestry works. But this trend is changing fast, and the new generation of labour force is generally not willing to follow its parents in their jobs. The rising wages and higher living standards in the urban areas—though largely deceptive—attract the young blood to the urban areas. This imposes heavy social costs to the urban economy primarily in two ways: First, it increases the congestion and the problem of underemployment or unemployment of the urban areas. Second, the rural areas are left with old, ageing people, who cannot provide the required manual service to forestry, agriculture and other sectors to the requisite extent.

paradoxical position

Primarily, because of these reasons, in the face of extensive unemployment in India (it may sound paradoxical) there are periods in which acute scarcity of labour is felt for the collection of minor forest products, plantation operations, harvesting in agri-silvicultural areas, etc. Due to the green revolution in agriculture, combined with certain projects: construction of irrigation and hydel dams, roads and building, minor irrigation programmes, etc., in the romote forest areas, the problem is becoming more serious. The so-called educated young men—high school pass and upwards or those having vocational training —are not willing to come forward for these manual jobs which are regarded as low in the social-hierarchy. The net result is a serious competition, in certain regions, among sections of labour willing to undertake the manual job. Consequently many valuable, annual minor forest products, such as bidi leaves, sal and other seeds, herbs, drugs, honey and even pulp wood and fire wood, food crops, etc., remain uncollected in the forest and the planting operations are often delayed.

The efforts made to attract labour to forestry operations, improve their productivity, and consequent earnings and also attempts to increase the utilization of the trees, thereby employing labour at higher levels of income, are discussed further.

training centres

With the object of improving the efficiency, increasing the labour's productivity, and reducing the risk of injury, modern logging hand tools were first introduced in India with the creation of a training centre at Batote (Jammu & Kashmir) in 1958. The same year, a logging branch was established at the Forest Research Institute, Dehra Dun. Later, in 1965, a logging training project, with four training centres, was started in collaboration with FAO to meet the training requirements of the Forest departments.

So far over 469 sets (each set having 68 tools) of improved tools have been distributed to the state Forest departments. As a consequence of training in logging practices, the modern tools, now indigenously manufactured, have become very popular in India. The changes brought about are : replacement of axe with saw for felling and conversion, introduction of power saw particularly for lower class diameter trees, axes with oval instead of a traditional circular eye (which minimises the changes of the axe blade flying off from the handle while working); hand saws : peg-toothed and racker-toothed type; lifting hooks, lifting tongs, cant hooks, felling wedges and debarking spuds, which besides improving efficiency considerably prevent accidents. Also, though with a slower pace, tree climbing equipment, stem-tightener, power chain saws, power winches (tractor or truck mounted) for off-road transportation and loading of logs, skyline cranes (12 working presently), wire-skidding equipment, gravity rope-ways, etc., are being introduced in various states. The use of stem-tightener, tree-climbing equipment, cable puller, etc., makes the felling of trees almost risk-proof. The transport techniques h also undergone a radical change: tru have replaced the bullock carts, anim etc., where possible. River transportati however, continues to be a major me of transport in the Himalayas. T effect of this mechanisation on labour's productivity, the employm opportunities, etc., can be analysed o after thorough studies.

The saw milling industry has also de loped considerably. Where possib saw mills are now being established in t forest.

Forest working is hard and not qu free from physical insecurities for natu itself is a source of risk: lightening, fi wild animals, snakes, poisonous inse and plants, etc. Accidents occur forests due to failure of the implement improper working techniques, careles ness, and fatique. For these reason the promotion of safety measures forestry, although needed constantly, not altogether foot proof. The mech nisation involving the use of power cha saws, sawmills, tractors, trucks an cranes, power winches, etc., with the numerous advantages, sometimes cau hazards. In felling, particularly in th hills, sometimes fatal accidents occur du to rolling of logs, stones and boulder etc. However, no systematic studies i this connection have so far been made i India nor is any statistical data availabl to show the incidence of accidents.

promoting safety

There are ways and means of promot ing occupational safety and health, whic amongst others includes law and regu lations, technical standards, educatio and training, and more significantly expe supervision of the various forestry opera tions. But because most forest harvestin is done by the private contractors, and forest workers are not considered a industrial labour, adequate measures fo the safety and health of the labourers are not at present being adopted in our country Forest workers do not always get the bene fit of labour laws. Presently, the life o the labourers working in the forest is no insured in most areas. Compulsory insu rance by the employer is called for, fo the welfare of the workers.

There are some areas where well-estab

ished forest villages with schools and mobile hospitals do exist, but, by and large, housing/camping facilities for forest workers are inadequate. After the independence of the country, much in this direction has been done but more is required. The labourers stay mostly in temporary shelters built by themselves near their work sites but the shelters have inadequate protection from rain or snow. Needless to say that these poor conditions of living affect the physical and mental health of the labourers. The Maharashtra Forest Development Corporation has taken a lead in this direction: it has constructed well equipped labour camps with schools and hospitals, and has made arrangements for nutritious diet for the workers under World Food Programme from international agencies. The Tripura Forest Development and Plantation Corporation has also started work on these lines and has arranged food from the World Food Programme. In these organisations, half the wages are given in the form of nutritious diet and the other half is paid in cash. The logging agencies in the Himalayan states and the private contractors working therein also provide subsidized rations for their workers engaged in the harvesting of major forest products in the remote areas. This facility is, however, not available to labour working on the harvesting of minor forest produce and other forestry works.

role of labour

The role of labour—that section willing to offer physical effort—it seems, was in the past not fully appreciated and labour handling was left mostly to the private agencies or forest contractors. Labourers in general were not trained in their jobs and were often poorly equipped with tools. It is only recently, much after the establishment of the training centres discussed earlier that government and semi-public agencies have undertaken forest harvesting works and presently there are sixteen forest corporations (in 16 states) working in the country. With the coming of these corporations, attention is now being focussed on the labour welfare problems and efforts are also being made (i) to increase the productivity of labour through job specialisation and systematic training, and (ii) to break the seasonality by levelling the job opportunities and providing year-round uniform work load to the labour, wherever possible.

About 2500 forestry officials (including 49 foreigners from Afghanistan, Ghana, Malaysia, Nigeria, Bhutan and Sudan), mainly from the public sector, have been trained in the use and maintenance of the improved hand tools, power winches. transport methods, etc. These trained personnel in turn are transmitting better logging skills to their field workers.

problem of motivation

The main problem with regard to motivation and training of workers stems from the fact that the forest works are seasonal and providing year-round work to the labour is difficult because the harvesting of forest products is mostly in the hands of private contractors. The contractors get annual contracts, are uncertain about their future, and so consider the labour training as infructuous expenditure. The labourers *per-se*, are poor, and disorganised, and cannot pay for the training. The problem is aggrevated because most Forest departments prefer the contract system against departmental working. As a consequence, the training facilities provided by the government of India are also not fully or profitably utilised. The recent increasing emphasis on the establishment of public sector forest corporations in all the states is likely to solve this problem to a great extent.

In the case of major forest produce, this training has revolutionised the harvesting technology and increased the utilization of wood by about 30 per cent (author's assessment) from the average standards prevailing in the country before 1960, besides generating employment at a higher level of income.

With the growing consciousness for the greater utilisation of forest resources and the objective of providing employment to everyone, the need for adopting measures that may attract the so-called educated, unemployed young men to manual labour jobs in forestry, particularly harvesting of minor forest products, is urgent. A prerequisite for this socio-economic change is an increase in the wage rates for all the works in forestry, and a simultaneous increase in the labour's productivity through training and job specialisation. Labour should be regarded as an important resource for earning more valuable resources, and paid accordingly for every forest production process. What wage should be given for what job will depend on the product price, but as a rule, the principle that "marginal gain equals marginal cost" should constitute the basis.

Other important measures needed for increasing employment in forestry sector are:

The plantation activity is highly labour intensive. About 70 per cent of the investment in plantations goes to labour. Every hectare of plantation, on an average means 200-250 man-days of employment. Since natural regeneration for most of the principal species (*sal*, *deodar*, *fir*, spruce, *kail*, teak, laurel, *khair*, sandal, etc) is not keeping pace with the fellings, the need of the hour is to replace the concept of natural regeneration with that of artificial planting. This should follow after harvesting. Nursery raised plants of economically suitable species should be supplied. The growing popularity of eucalyptus planting deserves urgent rethinking. The changes in the silvicultural policy will lend impetus to the plantation activity. No harvesting should be permitted unless it's replacement is ensured first. The scheme will also help the soil and water conservation measures, mitigate floods, and sustain the forest land to its legitimate use.

replacing the contractor

Additional jobs could be provided through a gradual replacement of the contractor's system of harvesting the forests by governmental agencies. If by such a changeover an equivalent return to the public exchequer could be ensured, the huge profits presently going to individual contractors may be diverted towards employing, on an average, four to five more individuals every year in place of a single contractor displaced. In other words, if the activity is ending up, say in a contractor's net profit of Rs 30,000 a year, four to five rangers (ignoring efficiency aspects, etc) could be employed instead. Considering that the number of big forest contractors in the country is fairly large, the total

acement of the present contract system ugh public agencies, would mean con- rable additional employment possi- ies without eroding the states' reve- returns.

he study also reveals that Minor est Products (MFPs) generate far ater employment opportunities—346.10 days, compared to—145.47 mm days vided by the major forest products. ongst the MFPs hitherto insufficiently loited resource groups, is the tree seed alth. Collection, drying and cleaning seeds, their preservation and transport highly labour intensive. The indigenous d export demand for the seeds is very gh. Presently about 1,330,420 tonnes seed providing about 63.73 mm days direct employment are being secured. ne full annual seed potential is more an 8,106,600 tonnes, providing 221.30 m days of employment. This, and the rect employment will increase several ld if: (1) all harvested forest areas are rtificially regenerated instead of relying n the elusive process of natural regenera- on, (2) nurseries are created around vil- ages to supply fuel and fodder plants to illagers at cost price, (3) oil, starch and rotein bearing seeds are fully harvested nd utilized by extracting the oil and heir food residues, and (4) the export otential of the seeds is fully availed by nsuring quality control, etc. For several species stumps, seedings, etc, can also be exported.

the lost wealth

Most of the MFPs recur annually. If not collected in time, they are lost to the society for all time to come. In the case of products like *tendu* leaves, seeds, flowers, fruits, gums and resins, fibres and flosses, honey, etc, a higher wage level is essential to attract the labour in order to complete the timely picking of these products. The same is true for fire wood and pulpwood, foodgrains, etc. In fact, additional labour should be employed even upto the point where marginal wage is equal to the price of the product itself. Only by increasing the wages can the work effort be increased and additional resources made available to the society. The present level of wages in the forestry sector should be raised, particularly during periods which coincide with the peak periods in agriculture, to a level at least 30 to 50 per cent higher than in agriculture and other sectors, in order to retain the labour and complete the timely picking of the minor forest products.

better utilisation

Presently, standing trees are given to the villagers holding rights and concessions in the forest (either free of charge or at nominal rates) for their bona fide requirements of house construction, agricultural tools and implements, etc. If instead of granting standing trees, sawn and chemically treated planks, poles, and rafters, etc, are supplied, about 50 per cent wastage of resources in the conversion, and an ultimate increase in the demand cycle of each family by at least 20 years will take place. Similarly, supply of wooden or metal reinforced agricultural implements, instead of the traditional freedom to cut trees in the forest for making these will prevent wastage and increase per unit resource employment in the long run. At the same time, the same quantum of resources will serve the community for a very much longer period. Economic studies on the feasibility of these proposals need to be undertaken.

In some places, for want of alternatives, valuable species such as *chir* pine, *deodar*, willows and kail are used as fire wood. Creation of fast growing fuel wood plantations is needed to retain the timber trees for their more valuable uses. In addition, the creation of fire wood plantations will generate additional employment opportunities.

The study reveals that the preconditions for increasing employment at higher levels of income and the production of larger quantities of forest products is possible only through a complete utilisation of all the minor forest products. Some other prerequisites for attracting labour are: temporary shelters in the forest, supply of ration in lieu of wages at subsidized rates, medical aid, labour amenities, and providing job security by broadening the seasonal aspects of forestry operations through a change in the sequence of forest jobs so that the same labour is productively employed for much longer duration. The execution of some forestry activities such as soil working for plantations, fencing, etc., can be easily shifted in time so as not to coincide with the peak labour requiring periods in agriculture. The proposed adjustments are likely to provide a uniform work load to the labour force.

The forestry sector's employment potential, at present is estimated at:

1. Direct employment 626.72 mm days
2. Self employment 3,537.496 mm days
3. Secondary employment 448.33 mm days

Gross total 4612.546 mm days or 12.6371 mm years.

For harvesting the minor forest products, against the potential of 556.52 mm days of jobs opportunities, it is estimated that only about 346.10 mm days of of employment are being availed primarily because of low wages and consequent labour scarcity.

Forestry based self-employment opportunities could be increased by introducing agri-silvicultural practices to the bulk of the plantation areas.

source of employment

In the three categories of employment opportunities, the source of labour providing manual efforts is the rural villager, who often migrates to the urban areas. This section of the labour force is now increasingly being attracted to alternative, higher paid employment opportunities in various non-forestry development projects. Consequently, a sizeable portion of the forest products including firewood and pulpwood is being left unclaimed year after year in the forests for want of the requisite labour.

The study also visualises that a far greater number of people could be employed and resource losses averted by the forestry sector if wages were increased, labour is trained and labour safety measures introduced, and better living conditions for labour are created. Needless to reiterate that a suitable increase in labour wages and an emphasis on labour training and job specialisation are likely to go a long way to constitu e an important ingredient to the rationalisation of diverse forestry opera ions.

The proposals also envisage: (1) To'al replacement of the concep. of natural regeneration with artificial planting; (2)

nationalisation of the timber and other forest products' harvesting operations; and (3) changing the current system of granting standing trees in rights and concessions in favour of supplying sawn and treated timber.

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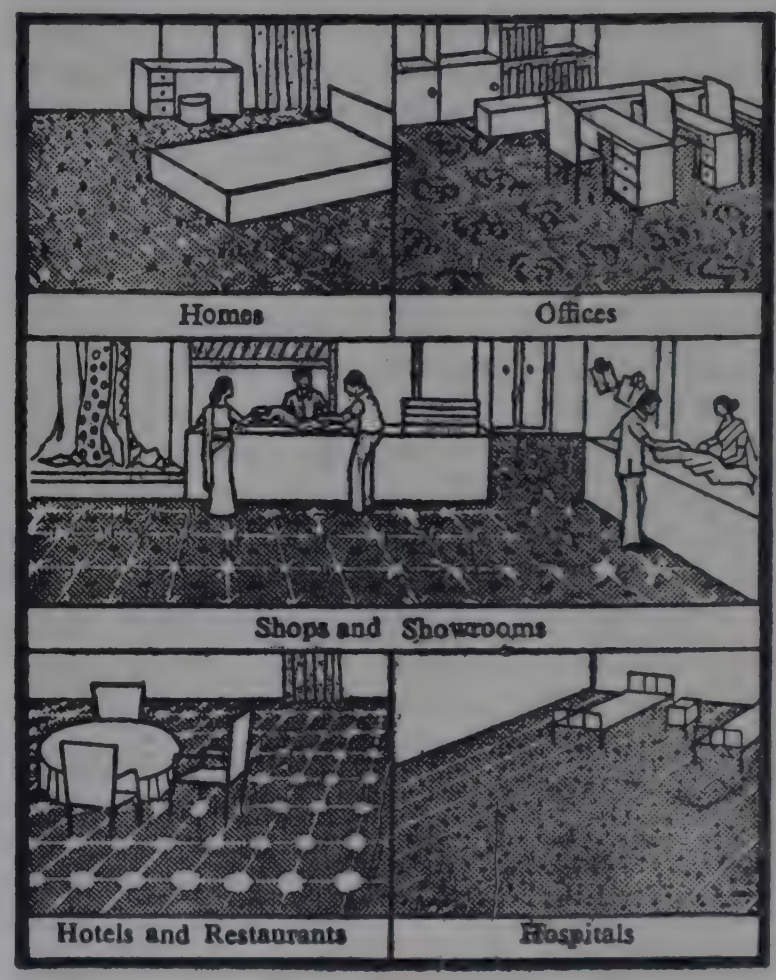

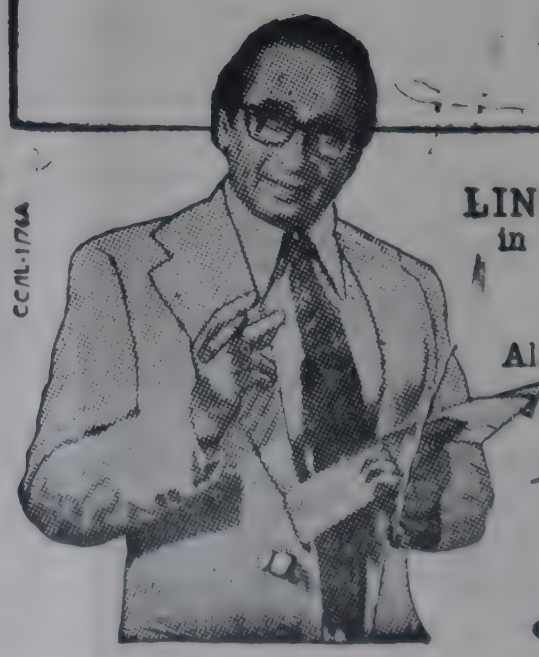

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Towards unity of economic and social policies

V. Balasubramanian

This is an account of some of the impressions gathered during a recent visit to the German Democratic Republic at the invitation of the ministry of Foreign Affairs of that country. The GDR is committed to further increases in social production through continuing mechanisation and rationalisation in industry and the more intensive industrialisation of crop and livestock farming. Meanwhile, its performance in important areas of mass welfare, such as price stability, housing, the social and economic status of women, education and health care bears evidence to the successful marrying of the economic progress to social benefits.

MARX is the prophet of international mmunism and Lenin its high priest, lam Smith is truly its philosopher tesman. The concept of interna- nal division of labour is being preach- or practised nowhere more rigorous- than in the Soviet bloc.

The economic foundation and frame- ork for the political solidarity of this oup of communist countries is provid- by the Council of Mutual Economic ssistance (CMEA), which is dedicated the doctrine of international divi- n of labour as the governing princi- e of economic relations among the ountries of the region as well as etween them and the world outside. ounded in January 1949, the CMEA as, as its full members, Bulgaria, Hungary, the German Democratic epublic(GDR), Cuba, Mongolia, Poland, omania, the USSR and Czechoslovakia. he centrally planned economies of the ndividual members of CMEA have een brought under a common discipline respect of their primary, secondary and ertiary sectors in terms of social, eco- nomic, political and global strategic considerations.

This may not be a strict application of the pure principle of international division of labour, as conceived by classical economic theory, but is nevertheless a respectable approximation to the employment of regional resources at an optimal or near-optimal level in the context of a given global political and strategic situation. When the CMEA is viewed from this angle. the question whether its members are free and equal may not seem to be of primary importance. What may be of greater relevance is the fact that, without the structure of economic cooperation or integration organised and operated through the CMEA, most of its members would not have been able to preserve their current ideological or political identity. This, perhaps, is the answer to the speculative doubt prevailing in certain quarters whether some individual members of the CMEA, such as the GDR, would not have been better off had their economic interests not been subordinated to those of some other countries in the CMEA such as, for instance, the USSR. It may be added, perhaps, that, in any case, the CMEA has sought to do for this region more deliberately or determinedly what the multinationals (including those from Japan) or the EEC have been trying to do for western Europe, to wit, the effecting of regional economic integation to a greater or less extent.

In the GDR, considered by many as one of the pillars of the CMEA, the visitor is told over and over again that, but for the CMEA, its member-countries, including the GDR would never have been able to achieve, as they have done, a basically steady rate of growth, stability of prices over a period of years and full employment as normal features of their economies. In other words, the process of economic integration, which is being carried on through the CMEA, is credited with having spared the economies of this region such ailments of capitalist societies as chronic inflation, or stop-go movements in the economy, attended by rise in unemployment figures or trade and currency disturbances.

amongst top ten

While it is allowed that the CMEA countries have not been entirely strangers to fluctuations in national or regional economic fortunes, it is resolutely claimed on behalf of the GDR that its economy has kept remarkably steady in its upward course and that, over the years, it has become self-sufficient in its food and agricultural sectors, and increasingly capital-intensive in its industry and that, as a result, it is now among the top ten industrialised and trading economies of the world. Even greater pride is shown in the references made to the success achieved in enriching the material and cultural content of the

WINDOW ON THE WORLD

people. It is pointed out that ever since the Eighth Congress of the Socialist Unity Party of Germany (SED) held in 1971 had put forward its "central policy" for achieving the unity of economic success and social well-being, the growth of production, increases in labour productivity and scientific-technological progress are being immediately translated into advances in the material and cultural standards of living. This could mean for one citizen a new flat, for another better working conditions or higher pensions and for individuals and families generally full employment, guaranteed job security, stable consumer prices and low rents, a highly developed system of education, a comprehensive health service and improving opportunities for leisure activities.

Merely after a ten-day sojourn in a foreign country, with much of the time spent in travelling extensively, a visiting observer who, moreover is not conversant with the native language, cannot venture to form too many solid ideas or opinions on the complex social, economic or political affairs of that country. Nevertheless I would certainly say that there has been remarkable material and other progress in the GDR to the advantage of the totality of its people. Food is ample and of good quality and there is more and more variety. The consumption of meat or dairy products in the GDR is stated to be at or near the highest levels reached anywhere in Europe. Clothing compares perhaps less favourably and textiles, as also footwear, of any distinction seem to cost a lot of money.

remarkable progress

Housing has been accorded high priority in the allocation of resources and a construction programme, aiming at ensuring that every family has a modern and sufficiently large flat by the year 1990, has been projected in terms of an expenditure of more than 200 billion marks. Against a target of some three million flats to be completed by 1990, about 600,000 were either modernised or newly built between 1971 and 1975 and the subsequent five-year plan is currently giving even more importance to the keeping up of the tempo of housing expansion. The results of this effort are visible all over the GDR and although the housing shortage is both chronic and acute, especially in urban concentrations such as Berlin, large housing complexes with environmental infrastructures and facilities suiting modern social requirements are a common feature of towns and cities, as for example Erfurt.

Simultaneously with the improvement in the housing situation, there has been progress in the acquisition and possession by families of modern household appliances and entertainment equipment. Over 90 per cent of the families have refrigerators, about 80 per cent washing machines and, a percentage somewhat larger than this television sets. Radio sets are virtually a universal possession, while a third of the households could boast of a passenger car, or a motor cycle, scooter or moped.

deliberate gradation

It is worth noting that many of these goods are deliberately produced in various grades of quality or sophistication so that they could be sold over different price ranges, thus making it possible for families in different income brackets to make purchases to suit their pockets. For instance, the least expensive single channel television set is to be had for 1,200 marks, while there are also on sale colour television sets priced around 3,800 mark. A reliable indicator of the rise in the standard of living is the large number of people who eat outside for pleasure or the week-end or other holiday rush of families to neighbourhood recreational areas or sylvan retreats in favourite hill country.

Nevertheless, it would be true to say that the GDR has miles to go before it draws level with countries in western Europe in terms of affluence. Some may even argue that, as it is, life in the GDR is more austere if not harsher in certain respects than life even in other CMEA countries, notably Hungary or Poland. However, it need not be doubted that the SED is in earnest about the thesis which is summed up by Mr Erich Honecker, the general secretary of the central committee of the party, in the following clai made at the ninth Congress of T Unions in May last year: "Ours is a gramme of growth, prosperity and s lity".

Mr Honecker and his colleagues pect this programme to be execute the main over the next 12 years. But any reckoning, they will have to w against heavy odds. Their main prob is the sheer limitation of human resou The GDR has not fully recovered f the drain on its manpower through flight or clandestine emigration of ab three million people to the Fed Republic of Germany and it is only great difficulty that its population been stabilized being around 17 mill

manpower shortage

This is being far from enough for the job that needs to be done and in there are more jobs waiting to be fi up in almost any branch of industry certainly in the areas of agriculture housing construction than there are or women in sight to fill them. Co quently, although a liberal abortion has been enacted with a view to affirm equality of women with men in respect human dignity, personal freedom social status, a national campaign is for encouraging or enabling women have larger families of their own will.

The goal of population policy i three-children family as the norm, incentives continue to be available couples willing to rear even larger famil The emphasis is squarely on incenti and the "goodies" offered to oblig parents make an impressive package. instance, the interest-free loans amou ing to 5,000 marks, which young coup receive for furnishing their first dwell and which, in the normal course, are be paid back within eight years, are w ten off to the extent of 1,000 marks the birth of the first child, another 1, marks when the second child is born the remaining 2,500 marks on the ha arrival of the third. In addition parents receive a grant of 1,000 marks the time of birth of every child.

Working mothers are eligible for ma nity leave of 26 weeks on full pay

hen the first child is born, they have so the right to ask for unpaid leave for ne year during which however they will e entitled to social security or other ayments amounting to a very high per-ntage of their normal earnings. On the irth of the second or any subsequent hild, they can apply for paid leave up to ne first birthday of the child. Women in ull-time employment, with two or more hildren, work 40 hours a week and, if n shift work, they receive additional nnual leave. All these privileges to vhich working mothers are eligible are in ddition to the general eligibility of all vomen workers for a monthly paid day off for house work.

additional advantages

Above all couples with children could jump the queue for housing accommodation. This is an extremely valuable advantage considering that, in a place such as Berlin, it may be anything between four and eight years before an applicant gets a flat allotted to him or her in the normal course. It is also a great boon to families with children that they are entitled to larger flats, according to the number of children in the household, without incurring any corresponding liability with regard to the amount of the rent. In fact, rents amount only to four or five per cent of the family income, except in urban areas such as Berlin where they may, in some cases, absorb higher percentage but even then not more than 10 per cent.

The demographic donkey seems to be showing fairly good response to the bunch of carrots dangled before it—there is not a little excitement in the GDR over the rising trend of the population curve. No great flood of babies, however, is in sight even if the trade in prams seems to be enjoying a mild boom. The mere fact that most women have to do a full day's hard work side by side with men in the factories, on the farms or in the service industries, added to the other strains and stresses of an industrial community, could cancel out a good part of the attraction of the incentives offered for larger families. The government, aware of this problem, has been liberally providing creche and kindergarten facilities which are claimed to serve about 90 per cent of the children of working mothers.

Moreover, to the extent that the incentives are effective in inducing working women to take time off for bearing or rearing children, they necessarily cause some temporary withdrawal of labour from factories, farms or offices and also considerable dislocation of work in the process. In any case, for the foreseeable future, the GDR will have to learn to live with its manpower shortage. This physical limitation is bound to affect the pace of the growth of its economy. In an attempt, perhaps, to put a bold face on it, some people in the GDR argue that this very manpower difficulty has been whipping the country into unceasing efforts to increase labour productivity through the steady stepping up of investment in capital goods and machinery and the upgrading of production processes through rationalisation and mechanisation.

towards automation

That the GDR has gone as far as any other country and farther than most in substituting human labour with machinery admits of no argument. Although its progress in the employment of the more sophisticated plant and equipment may not be as remarkable as the advances made in this respect in the US, western Europe or Japan, it is not without claims to excellence even in this field. For instance, at the United Enterprises for Stamping Machines, near Erfurt in southern GDR, the handling of heavy fabrications has been computerised to a degree which, it is said, could be seen only in two other plants, both of which happen to be in the United States.

While manpower has been a highly significant compulsive force behind this drive towards rationalisation and mechanisation, other considerations too have collaborated. For instance, the need for the intensification of extractive processes, in the interest of economy or efficiency, as more accessible mineral deposits are exploited and the less accessible reserves have to be mined, is highlighted by recent developments in lignite mining. The GDR has negligible resources of hard coal or hydro power, while it is heavily dependent on the USSR for oil and gas. The main source of primary energy is the vast reserves of lignite which is also the principal base for the generation of electricity. There is therefore a constant endeavour to raise the productivity of existing sites as well as open up new ones. In the process the lignite industry is continuously pushing up the technology of open-cast working. Lignite mining operations on recently developed sites, such as those in the district of Cottbus, are an impressive demonstration of the latest advances in equipment and processes in this industry so essential to the economy of the GDR.

construction sector

In the construction sector, the massive programme places a premium on the saving of time and this is an additional stimulus to rationalisation and mechnination apart from the general need to save manpower. The pre-fabrication plants are therefore an integral part of the house construction drive and they have been developed to a stage where they are able to account for about 60 per cent in terms of physical construction work and 50 per cent in terms of value of the finished building. Although the pressure for continuing mechanisation is as great in the construction sector as in any other part of the economy, it is probably the case that the scope for further saving of manpower has been very nearly exhausted at least temporarily. This would mean that, for some years to come, certain skills in this industry, such as those of electricians and plumbers may continue to be scarce and thus make it possible for the professions concerned to command higher-than-average earnings. Incidentally, among the other such advantageously placed trades or professions are crane drivers, small family farmers growing vegetables, fruit or flowers, hoteliers or resaturateurs and, above all, doctors.

The farm sector too is being brought under the mechanisation programme more and more. This is of course implicit in communist concepts for restructuring the ownership of land and its management. In the GDR, while privately owned farms are still allowed a fractional role at the margin, a certain number o

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arge state farms are run as special urpose operations, such as research into igh-yielding plant varieties or multipli- ation of improved seeds, or the breeding f superior strains of livestock. A domi- ant role is reserved for the cooperative arms (LPGs) in respect of both crop roduction and animal production. The irst LPG was founded back in 1952 and his type of land utilisation has been evolved into the joint cultivation of arable and woodland through the cooperative ownership and utilisation of tractors, machinery, implements, farm buildings and domestic and breeding stock.

mechanised agriculture

Then cooperative farms are relentlessly pursuing the aim of industrialising the production of both crops and livestock. State farms are closely associated with them through inter-farm establishments where a great deal of work is being done on the mechanisation of various stages or processes of field or animal production. It has been claimed that mechanised agriculture through cooperative farming has succeeded in raising productivity by about four per cent annually in this sector of the economy. But, at the same time, it is readily conceded that the 10 per cent of the working population still engaged in farming operations is too high a proportion in an industrialized economy such as the GDR in comparison with other advanced industrial countries. There is dissatisfaction particularly with the progress of mechanisation in livestock operations.

In addition to the general manpower situation, the special difficulty experienced by cooperative farms in attracting the younger generation to the crop and livestock sector is lending urgency to a faster movement towards industrialised production in the farm economy. Meanwhile, an all-out attempt is being made to interest the youth in the opportunities available to them for an agricultural career. Emphasis is laid on the fact that the use of the most modern machinery is helping to make work on the farm less burdensome and more attractive. Again, limited working hours and paid holidays offer scope to the agricultural worker for cultivating intellectual and cultural interests. A constant effort is also being made to bridge the gap between town and country life with regard to facilities and amenities such as shopping, medical care and sports.

More important perhaps than all this is the advance in the technology of crop or livestock production which is making unskilled labour more and more redundant, while calling for workers with scientific and professional training, thereby offering some scope for the enthusiasm and enterprise of the youth. At Greysen, for instance, the cooperative farm is master-minded from an office organised and equipped in much the same way as the managerial department of an industrial unit is. All the same, it does seem necessary that the farm sector should, on balance, discover ways and means of releasing some of its manpower to the rest of the economy so hungry for this scarce resource.

The national income of the GDR, which rose from 71 billion marks in 1960 to about 142 billion marks in 1975 is expected to advance further by 1980 to somewhere between 182 billion and 185 billion marks. Besides the demands of defence and security, the three principal claimants for shares in the social product seem to be the strategy of intensifying capital investment in the continuing rationalisation and mechanisation of the manufacturing sector and the industrialisation of farm and animal production, the policy of stabilising prices of essential commodities and services through subsidies in addition to the transfer of resources generated by the price-fixing and taxation measures adopted for less essential goods and the programme of stimulating or rewarding labour productivity through personal and social incentives. Thanks to the squeeze put on by the manpower shortage and the international pressure acting in favour of capital-intensive or sophisticated technology, the GDR is finding it necessary to step up appropriations for investment in plant and equipment. At the same time there is a burgeoning demand for a wide variety of goods for individual or family consumption and the consumer interest is steadily extending to quality

Eastern Economist 30 Years Ago

MAY 21, 1948

Profit sharing is in the offing. After Independence Day, it was first mentioned in December last year, when the Finance Minister in the course of the discussion on the Interim Budget disclosed that the Government were considering the possibilities of preparing a scheme for profit sharing in industry in order to give adequate incentives to labour. The idea was vehemently opposed by the interests likely to be affected by this scheme and it was expected that this proposal was dead beyond resurrection and that the Government would not be so doctrinaire in its approach to the problem of industrial relations. Later developments, however, have belied these expectations. Profit sharing though in a disguised form, reappeared in the truce resolution, which was unanimously adopted by the Industries Conference. This truce, as is well known, has been broken by labour on so many occasions that any practical man could have been compelled to think if it was not necessary to cry halt to the rapid pace at which the Governme have been conferring legislative and other bene fits on industrial workers. Ignoring this aspect the question, the authors of the report of th Economic Programme Committee, appointed b the A.I.C.C. preferred to indulge in the luxu of prescribing theoretical panaceas. They n only supported profit sharing but also went step further and laid down some unrealistic rat at which the share of the capitalist should fixed. The Governmenc apparently drew inspir tion from the resolution of the Industries Co ference and the E.P.C. report, when in the statement on industrial policy, they once agai and, this time authoritatively, enunciated t principle of profit sharing with a view to regula ing employer-employee relation. In this schem the Labour minister, has found a means to tran late into praclice his often repeated dictum th labour is an indispensable partner in industry.

or sophisticated wares, a good deal of which will have to be imported from the world outside the CMEA. Consequently, although about two-thirds of the foreign trade of the GDR is with its CMEA partners and its production patterns also tied to other national production patterns in the region, particularly the Russian, through a whole series of technical and commercial cooperation agreements, Berlin is showing a higher degree of concern for promoting trade with the industrial countries of the west and with Japan, as will as the developing countries.

foreign trade

The GDR's imports of capital goods and technology from the industrial countries are bound to increase in the future, the rate of increase being determined by the availability of foreign credits, supplemented by increases in its own exports to these trading partners. Where the developing countries are concerned, the GDR should be able to offer an expanding market for their export commodities such as certain industrial raw materials, food articles and various consumer goods. Here again the expansion of trade will have to be a two-way traffic, the GDR being equally keen on stepping up its exports of machine tools and the products of its mechanical engineering, electrical engineering and electronic industries. Again, thanks to the emerging petrochemical industry in the GDR, its production and exports of chemical products could also increase in importance. These trends are naturally relevant to the considerable trade relations already existing between the GDR and India and currently Berlin is showing interest in stepping up its imports of certain descriptions from India provided India, for its part, would take positive measures for raising its purchases from the GDR. It is argued that the GDR's policy of selling process or product licences outright is very much in line with the government of India's own preferences for modes of purchase of technology.

In this connection it is also suggested that the pharmaceutical industry in the GDR would be able to make a significant contribution to develop-

ment in drug manufacture in India in accordance with the policy recently announced by our government for this purpose. The GDR, again, is building up a tradition of supplying sub-assemblies or single parts of plant or machines to importing countries in accordance with their technological and manufacturing requirements. This might help in promoting collaboration between the two countries, particularly in the electronics field. Already valuable contacts have been established between the GDR foreign trade enterprise, Robotron and the Computer Maintenance Corporation of India. It is believed that the GDR could supply the hardware for business machines or computer systems and that it should also be possible for the two countries to come together for operating joint enterprises in third countries.

Incidentally, there is a feeling that Indian business is not showing sufficient interest in the Leipzig fair, which the GDR considers to be its most important show-window to the world. One reason why Indian businessmen are more conspicuous by their absence than by their presence at GDR trade fairs may be that the trade between the two countries is fixed within the framework of a bilateral rupee payment agreement at a government-to-government level. Berlin, committed to the planning of its foreign trade sector to the last detail, howeve does not seem to be enthusiastic abo loosening the bonds of this agreemer On the contrary, it is stoutly contende that the agreement neither poses ar commercial problem nor creates pr cedural or other technical difficulties fo the further growth of trade between th GDR and India.

Finally, this account will not be com plete without a reference to the fact tha despite developments, both extensive an intensive, of its mining and manufacturin sectors and the industrialisation of it agriculture, the GDR could still boast o a landscape, generous with its green an wooded recreational areas. Man ha shown his respect for this bounty o nature by giving careful and even lovin attention to the demands of environment This is strikingly illustrated by the stern rule that, where land is mined for lignite, the earth should be rehabilitated and restored to its previous state within a definite time-limit. Again, horticulture, not only in its utility aspect of fruit or vegetable farming, but also in its aesthetic aspect of the growing of flowers and the laying out of gardens and public parks, is promoted as a major socio-economic activity. The international horticulture exhibition, at the district city of Erfurt for instance, is organized and cherished as a proud national event.

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ne does not have to

far from our country, or be away
ng to realise that Delhi's politics
e, more often than not, truly trivial.
uring the 10 days I was recently in
e German Democratic Republic,
ound that India figured in the world
ws only when President Carter's
cision on the shipment of enriched
anium to the Tarapur plant was
oticed in passing. His problems with
e Congress over his proposals for
e sale of F-15 jet fighter planes to
audi Arabia naturally made the head-
nes. The Brezhnev-Schmidt summit in
onn also got special billing. Although
uch of their agenda was concerned with
ilateral business, a larger significance
as attached to this meeting in the con-
ext of the current SALT stalemate
nd Bonn's position in the controversy
ver the American plans for a neutron
ar-head. The Moro kidnapping, relent-
essly heading towards its tragic climax,
as being given round-the-clock repor-
age. As if this macabre march of events
ere not enough in itself to mock at the
uman condition, there was news from
Brussels of another kidnapping—this
ime of the famous statue in the market
quare, pissing everlastingly from a
ountain jet.

The happenings that engaged the world's attention, then, were the grave issues of war and peace and of the survival of nations. They were not whether a man over 70 years old would be able to compose his quarrels with another similarly aged, or a third elder, over 80 years old would be able to live in peace with these two. Mr Charan Singh's illness may not be simply diplomatic, but the duration of his stay at one of the VIP suites of the All India Institute of Medical Sciences might well have been largely tactical. But what is all this fight about, or for whose benefit? The opposition, of course, was easily outvoted in the Lok Sabha on its no-confidence motion against the government. But can there be any pride, pleasure or profit for the Janata party in this "famous" victory? Is it not the merest truth that the public is disillusioned and discontented with the Janata leadership to an extent which the present strength of the opposition in parliament does not reflect and cannot give expression to? Azamgarh, no doubt, has done its duty, but to ensure that the lesson is learnt is beyond it. Already Mr C.B. Gupta is blaming Mr Charan Singh's casteism for the Cougress(I) victories, while Mr Charan Singh is blaming everything on everybody except himself. With enemies like these, what need has Mrs Gandhi of friends?

The Fernandes bill on

the Khadi and Village Industries Commission has encountered heavy weather in Lok Sabha and this has forced him to let prudence triumph over valour by moving for its reference to a select committee. The controversial feature is the innovation of polyester khadi, a fabric incorporating about 10 per cent of polyester yarn for the purposes of durability and consumer appeal. The notion was mooted in the Industrial Policy statement and when I interviewed the minister on the Delhi *Doordarshan* on this statement, I suggested that, while this proposal did violence to every concept of Mahatma Gandhi's khadi philosophy or programme, it was unredeemed by any economic or social merit. I, in fact, called polyester khadi a "hybrid monstrosity". Had Mr Fernandes taken this serious criticism less lightly, he might probably have been better prepared for the assault on his Bill which cut across party lines.

The essence of the khadi ethics is that a local raw material (viz., coarse or medium cotton) should be wholly processed by rural household labour, mainly for neighbourhood consumption. It is only on these terms that it can justly claim state support through subsidies or the like. The benefit of these subsidies, moreover, has to be shared between the producers, who are by definition poor and consumers belonging, preferably, to the less affluent sections of the community. Since, however, politicians cannot help tainting everything they touch, the khadi programme has undergone numerous distortions and an absurd situation has been created, in which, for instance, top-heavy sales establishments are retailing superfine cotton khadi and khadi silk to well-to-do customers at prices heavily subsidised by the tax-payer. Polyester khadi will only lead to further deterioration in this direction. For one thing, the excise or customs duty on the polyester component will have to be waived, which, after all, is only an indirect subsidy at the expense of public revenues. For another, the direct subsidies, too, will probably have to be increased in order to dilute the consumer preference for mill-made polyester textiles. As for the compensating advantages, if any, for the producer or the less affluent consumer, the balance-sheet—assuming that the minister's advisers, official or casual, have helped him to prepare one—is not at all clear.

Apropos nothing in par-

ticular, I may perhaps permit myself the observation that the relations between politicians and businessmen seem to be primarily on a cash-and-carry basis. There does not seem to be any room here for sentiment or thought, on either side, of any lingering indebtedness. Just as in international relations or diplomacy there are no permanent friends or foes, so also in the matter of government-business relations behind the scenes or under the counter, the relevant philosophy seems to be a strictly utilitarian one. The wit of man has not yet been able to invent any surer means of changing all this than the demonetisation, periodically, of high denomination notes—in itself a measure apt to generate the most lively speculation about motives.

VB

TYRE INDUSTRY

Awaiting good days

S. P. Chopra

THE TOTAL production of tyres in this country was a little more than five million in 1973 and the market at that time experienced acute shortage of tyres. Some brands of tyres enjoyed heavy premium. Last year i.e. in 1977, the total output of tyres was a little more than six million and there was a glut of tyres in the market. No tyre fetched a premium at all while some were being sold at a discount. How did this dramatic change come about?

The first shock to the tyre industry was administered by the oil crisis in the last quarter of 1973. The steep rise in the prices of petroleum and petroleum products hit the road transport industry which resulted in reduced demand for tyres. Then came the emergency in the middle of 1975. The working of the railways got toned up and the traffic offerings for the road industry dropped. Simultaneously, three new units entered the market. Result: more tyres than the market could lift.

Annual Capacity

The existing annual capacity of the plants is around 8.5 million tyres. Each unit has the option to raise its production by 25 per cent if it so desires. Thus, the total available annual capacity is of the order of 10.6 million tyres, The total production of tyres in 1976 at 5.9 million tyres and in 1977 at 6.2 million tyres created conditions in the market which made the absorption of even this order of production rather difficult.

Licences Issued

The government has already issued eight licences or letters of intent with installed capacity of 400,000 tyres each. There is not much scope for the new entrants in the present state of the tyre industry in our country. As stated by Mr V. K. Modi, managing director, Modi Rubber Ltd, in an interview published elsewhere in this issue, the capital outlay needed to set up a new plant having annual capacity of 400,000 tyres is around Rs 45 crores. At current tyre prices and the present state of the tyre industry, no entrepreneur can satisfy the financial institutions regarding the viability of his project. Hence, the letters of intent issued have rare possibilities of being converted into licences and where industrial licences have already been issued, there are no bright chances of the plants coming up. At a later stage, it may be worthwhile urging the existing manufacturers to expand their capacities to a million tyres each. At present, Dunlop, Firestone, Ceat and MRF alone have capacities of a million or more tyres a year. All others can be encouraged to expand their capacities because the capital cost of expansion may be about one-third to one-fourth of the cost of a new plant.

While the demand recession in the tyre markets of the country has led to reduced utilisation of capacity with the exception of Modi Rubber Ltd, and the pressure of rising costs of inputs has been distorting the working operations of the companies, the balance sheets of tyre manufacturers have been showing a sharp decline in profitability. The compulsion to export—10 per cent of production in the case of new units and 15 per cent of output in the case of old units—is further adding to the burdens of the tyre manufacturing units. All the exports of tyres are currently being undertaken at a loss, though some incentives have been provided by the government.

TABLE I

Letters of Intent/Industrial Licences Issued to Newcomers

(In '000)

1. Vikrant Tyres	400
2. Tamil Nadu Rubber	400
3. Webster	400
4. Orissa Tyres	400
5. A.P. Tyres	400
6. Gujarat Tyres	400
7. Punjab Tyres	400
8. Ibcon	400
Total	3200

Declining Profit

The gross profit as a percentage of capital employed which was more than 12 per cent in 1974-75, fell to 10.8 per cent in 1975-76 and further to 7.3 per cent in 1976-77, according to a study (covering seven leading manufacturers of tyres) made by the research bureau of the *Economic Times*. The combined gross profits of seven leading manufacturers of tyres dropped from Rs 14.84 crores in 1975-76 to Rs 5.04 crores in 1976-77. The worst affected was Inchek Tyres whose loss rose from Rs 33 lakhs in 1975-76 to Rs 3.56 crores in 1976-77. Premier Tyres had a nominal profit of Rs 25 lakhs in 1976-77 as against the profit of Rs 2.90 crores in 1975-76. The profit of Good Year was reduced to almost one-fourth from Rs 3.65 crores in 1975-76 to Rs 1.00 crore in 1976-77. Madras Rubber incurred a loss of Rs 85 lakhs in 1976-77 as against the profit of Rs 1.75 crores in 1975-76. Ceat Tyres, however, improved its profit

om Rs 1.79 crores in 1975-76 Rs 1.99 crores in 1976-77. Modi Rubber reduced its loss rom Rs 3.37 crores to Rs 2.19 rores, while Dunlop had a narginal drop in profit from Rs 8.51 crores to Rs 8.39 rores. On balance, it is safe o assert that despite the three exceptions, the tyre industry n general fared badly in 976-77.

The profitability of the tyre units can be maintained only f along with the rise in costs, he sale prices can also be raised. But this has not happened because the government has all along forced the companies to restrain any increase in price. The selling prices of tyres were pegged at the November 1968 level until April 1974. But by that time, the demand recession had already hit the market and the tyre prices were decontrolled. Some adjustments in prices were made in 1974 and 1975 but in 1976 and 1977, selling prices remained unchanged because of the insistence of the government in this regard. With selling prices stationary and no control on the prices of either raw materials or wages, the decline in profitability could be the only outcome.

Early this year, the tyre manufacturers collectively decided to raise the tyre prices by 10 per cent. They had kept the ministry of Industry informed about the desperate situation that they were facing, and also about their resolve to raise prices. On April 26 this year, when this question came up in Lok Sabha, Mr George Fernandes, the minister for Industry, is reported to have told members of parliament that the recent decision of the tyre manufacturers to raise the prices of their products was not only a clear breach of their promise to the MRTP Commission but it also ran counter to the government's declared policy of not allowing unwarranted increases in prices of agricultural goods and industrial products. He also said that the government saw no prima facie case in favour of upward revision of tyre prices. He conceded that there had been some increase in the prices of synthetic rubbers, reclaimed rubber, cotton, pigments and chemicals, fuel and power, but the increase in the prices of these raw materials had been more than covered by the substantial drop in the prices of natural rubber and also the fall in interest rates. Again, the demand for tyres in the recent months has picked up leading to reduction in inventories which implies a reduced financial burden.

Whether the industry raised the tyre prices in collusion with the government or not

TABLE II

Production of Automobile Tyres

(in '000)

Year	Giant	Motor car	Motor cycle & scooter	Tractor	Aero	A.D.V.	Off-the road	Total
1960	919	343	98	49	3	49	3	1465
1961	979	473	110	48	3	72	6	1692
1962	1070	518	121	56	8	91	7	1872
1963	1244	548	133	43	16	85	8	2078
1964	1238	689	164	74	14	94	9	2284
1965	1364	762	227	94	10	117	8	2583
1966	1404	723	224	90	12	119	8	2580
1967	1507	755	213	93	10	120	7	2706
1968	1851	860	414	149	9	145	9	3438
1969	2078	969	581	177	8	193	9	4015
1970	2093	965	603	186	7	176	10	4041
1971	2364	1148	678	228	14	212	15	4659
1972	2392	1296	708	280	16	269	16	4978
1973	2487	1280	709	286	13	250	18	5043
1974	2713	1262	802	309	10	281	18	5395
1975	2880	950	1065	367	12	273	18	5564
1976	2724	913	1484	422	14	277	18	5853
1977	3069	998	1270	470	16	343	13	6180

*Provisional.

is not clear from the debate in the Lok Sabha. While the representatives of industry have indicated that the minister for Industry had been kept informed, Mr Fernandes has categorically refuted the case of the industry for a rise in prices. Anyhow, let an independent agency such as the Bureau of Industrial costs and Prices look into it and give its verdict. It is hoped that the in depth study undertaken by the bureau will throw sufficient light on the various aspects of this question.

Outstanding Facts

Two facts do stand out in so far as the operations of the tyre manufacturers during the current year are concerned. First, the 10 per cent hike in tyre prices is likely to give a boost to their sales realisations. Since the decision has been taken by the manufacturers collectively without any exception (even Modi Rubber has fallen in line), it is not likely to alter the sales pattern. Second, the railways have put up a rather poor performance during the past one year and wagon shortage has hit some industries. This has given a shot in the arm to the road transport industry. Consequently, the tyre industry is expected to improve its performance in the current year in relation to the preceding one.

Another factor which is anticipated to brighten up the balance sheets of the tyre manufacturers during the current year is the fall in inventories. The Industry minister, Mr George Fernandes, had dropped a hint in this regard in Lok Sabha while discussing the affairs of this industry. But the tyre dealers have not overcome their diffidence of the past three years even though they have not forgotten the late sixties and the early seventies when they enjoyed fabulous premiums on sales. However, once it is established that the demand for tyres is picking up, the retailers will also build up inventories and the production of tyres during the current year may rise to at least seven million tyres.

The tyre industry is a divided house at present. The three new units—Modi, J.K. and Apollo—have enjoyed a rebate in excise duty by 25 per cent since 1976 which has per force bundled them together as a separate pressure group. This

concession will last till March 31, 1979. How will these new units fare once this incentive is withdrawn? While Modi Rubber has already exceeded the production capacity of 600,000 tyres and is trying to find out other alternatives to be able to compete, the other two units are still not able to raise production to the rated capacity. If their performance during the current year follows the pattern set in 1977, then the government may have to extend the excise relief so as to prevent these units from collapsing. Not unexpectedly, the older units are campaigning desperately that this discrimination in excise duty should not be extended any further. In particular, Premier Tyres and Good Year Tyres are afraid that continuation of this discrimination would lead them to the disastrous path currently being traversed by Inchek Tyres.

Raising Capacity

One of the ways out of the present difficult position of the tyre manufacturers is to raise the capacity of each unit up to a million tyres a year, barring those which have already attained that capacity. The economies of scale thus derived would make the product competitive but the moot question is: if each unit having capacity of less than a million tyres raised it to this viable level, the total availability of tyres would be much more than the market could absorb. Even in 1983, the total demand for tyres is not expected to be more than 10 million tyres which the existing plants do possess already. Many of the units even after expansion will be forced to utilise only a part of the capacity, making their balance sheets once again unsavoury. Of course, in this keen competition, the consumer whose interests have been neglected for a number of years, stands to benefit. Not only will he be able to purchase the best tyre in the market but also he will not be called to shell out any premium on its purchase.

Come what may, some of the tyre manufacturing units have decided to go ahead and expand their capacities. Modi Rubber has a sanctioned capacity of 400,000 tyres a year but last year its production was more than 600,000 tyres. As stated earlier, the rules permit a unit to raise production by 25 per cent without adding any additional equipment. How Modi Rubber has achieved an increase of more than 50 per cent in production without adding to its capacity is praiseworthy but, may be, against the rules set by the government in this regard. Another company which has decided to proceed with its expansion programme is Ceat tyres. An industrial licence in this regard had been received by the company in 1976. Undeterred by the present not-very-happy state of the tyre industry, the company has taken the decision to embark upon the expansion programme. Mr P.A. Narialwala, chairman of Ceat Tyres, is the view that the expans programme would entail expenditure of Rs 5.40 cror Had the approval of the e pansion programme not be delayed due to the tar clearance under the Urb Land Ceiling Act, the cost the expansion programn could have been much les The proposed expansion the plant by 200,000 tyres ar tubes is expected to be com pleted by the end of the ne year. The output of tyres b Ceat in 1977 was 955,000; th expansion scheme will thu raise its capacity well abov the viability limit of a millio tyres.

TABLE III

Tyre Manufacturing Capacity

(in '000)

Unit	Existing capacity	Expansion licence	Total	Production in 1977
1. Dunlop (S)	1141	—	1141	1045
2. Dunlop(A)	580	200	780	784
3. Firestone	1100	—	1100	657
4. Ceat	850	160	1010	955
5. M.R.F.(M)	610	390	1000	339
6. M.R.F. (Goa)	400	400	800	196
7. Goodyear	600	—	600	584
8. Inchek	300	200	500	128
9. Premier	300	300	600	227
10. Modi	400	—	400	610
11. J.K.	400	—	400	213
12. Apollo	400	—	400	101
Total	7081	1650	8731	5836
1. Unicorn	168	—	168	—
2. Tanfort	200	—	200	—
3. Falcon	300	—	300	234
4. Jaysree	180	—	180	—
Total	848	—	848	234

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Interview : V. K. Modi

Viability at one million tyres

The tyre industry has been passing through a difficult period since 1974. The malady it is suffering from is production outpacing demand. Modi Rubber among the three new units (the others being JK and Apollo) has however done extremely well. In this interview with S. P. Chopra, senior assistant editor of *Eastern Economist*, Mr. V. K. Modi, managing director of Modi Rubber Ltd., gives a description of the measures taken by the management which have put their unit in a leading position in this trouble-torn industry. He also pleads for a review of the licensing policy keeping in view the present state of the tyre industry.

Q. *Market circles have indicated to me that Modi tyre today is on top. It enjoys the highest preference rating; only when Modi tyre is not available, the consumer asks for another brand. Will you explain how this situatian has been brought about? I know there must be many reasons for this achievement but can you indicate the three most important factors which have been responsible for this success?*

A. This chief reason for our success is the emphasis on the quality of our product which has been brought about by proper planning. But before I elaborate that point, let me give you some background information,

We were approached by the government in 1968 to set up a tyre plant. In those days there was a severe shortage of tyres in the country. The shortage was so severe that tyres fetched a premium of 100 to 200 per cent.

At that time seven tyre manufacturers were operating in the country out of which four belonged to the multinationals. It was our assessment at that time that the foreign companies were in total command of the tyre market in our country. The tyres of these multinationals alone fetched the above-mentioned premium. At that time they were responsible for 80 per cent of the production of tyres in the country. Consequently, the growth rate of these multinationals was much faster than that of the Indian companies. In order to keep the Indian manufacturers happy, the multinationals evolved a scheme for sale and distribution which benefited the Indian companies. It means that they had common dealers and common retailers. If a dealer refused to lift the production of an Indian manufacturer he was blacklisted for the sale of the tyres of foreign companies. In this way, a situation akin to a cartel was developed.

The total understanding between the tyre companies (both Indian and foreign) perpetuated the shortage, benefiting the manufacturers as well as the dealers and retailers. We were approached for the setting up a new tyre plant because the government was desirous of breaking this monopoly. We decided to

Mr V. K. Modi

go ahead with the plan to set up a tyre manufacturing unit.

We sought an efficient collaborator so that we could get the best possible technical know-how which could compete with those who held the Indian market. We entered into a collaboration agreement with Continental of Federal Republic of Germany.

Technology alone is not enough in making a good tyre. The planning of the plant is a major factor in turning out a product which can compete with the brands which hold sway over the market. After thorough pla ning of the plant, com quality consciousness. In t initial stages, we had fac difficulties. Our plant whi was estimated to cost Rs crores ended up with total cost Rs 32 crores. Hov ever, we did not join the ca tel of the existing man facturers of tyres. We s up our own retailing mach nery. When we entered th market, for the sale of ou tyres the premium on tyre had completely vanished con sequent upon the hike in o prices and the drop in deman for road transport. Compe tition was fierce and we realis ed that we could survive i the market only through better product.

We have a system of qualit audit in our plant. For th first time in this country thi audit system has been intro duced in a tyre producin plant. Independent inspec tors report direct to th management about the quali ty of the product and they ar very senior people.

Of the three importan reasons responsible for mak ing Modi tyres a success, th most important is efficien planning of the plant (coupl ed with the selection of competent collaborator) fol lowed by cost conscious ness, and extreme care i making arragements fo marketing the product The marketing techniqu was intensive in charac ter. The sales staff strengt

is as much as 450 persons. There are 30 sales depots spread all over the country. Then there is the service engineering department. An effort is made by our salesmen to contact the consumers and any complaint lodged with them is promptly looked into. In the initial stages there were some complaints about the quality of our product and a number of tyres were returned. The company honoured this commitment and replaced tyres of less than the highest quality. At no stage was there any compromise on quality. As stated by me earlier, Modi Rubber did not join the sales cartel which the multinationals and the Indian companies had set up in regard to the sale of tyres in this country.

Modi Rubber charted its independent selling course. For some time, the cartel of other manufacturers continued but later on, through the intervention of the MRTP authorities, it was dismantled, The cartel is no longer in operation currently. In the initial stages Modi Rubber did face difficulties because it was a question of one producer against the cartel of seven producers but ultimately, our superior product and better service scored over the other manufacturers.

Q. *Granted that you are quality conscious but it also implies the use of best possible inputs which must increase your cost of manufacture. Does it mean that a part of the concession in excise you received as a new unit in 1976, was utilised in the inputs for the tyre so as to have a quality which far exceeds that of the brands already being marketed by your competitors?*

A. Even in bad times, Modi Rubber did not compromise on quality. Raw materials alone do not go to make a good final product. If you compare the cost of raw materials per unit tyre in the case of Modi Rubber with that of other units, you will find that Modi Rubber is spending as much or a little less on raw materials and other inputs. This is clear from a study of our balance sheet in conjuction with any other balance sheet.

If you visit our factory, you will find that it is entirely dust-proof. Incidentally this is the only tyre manafacturing unit in the country which is dust-proof. It has solid concrete roof. In the case of many other tyre manufacturing factories—including those belonging to the multinationals—the presence of dust in the area particularly during the dust storms, tends to reduce the quality of the tyre. Modi Rubber has a sealed plant. When plans for setting up this plant were chalked out, even the financial institutions which made us available a part of the capital, objected to the setting up of such a sealed industrial unit. But we convinced them that the dust-proof unit alone could produce good tyres which ultimately would win over a creditable place in the tyre industry of the country. This forms a part of the good planning which I indicated a little while ago.

The process of tyre manufacturing starts with the mixing of the ingredients in a scientific way. The presence of any unwanted ingredient can spoil the product. In the case of a tyre, there are 30 to 35 compounds to be mixed. Their homogeneous mixing and absence of foreign matter is essential for the manufacture of a good and reliable product. We have a mixing department which is run by a computer. It certainly improves the quality of the product. The use of the computer in no way reduces the employment of labour but it does bring in an element of efficiency.

Q. *May I repeat the question: how did you utilise the excise rebate which you received from the government?*

A. The basic reason for the government to let us have a rebate in excise duty was the stupenduous capital cost of our plant as against the older plants in whose case not only the capital cost was lower but the bulk of it had already been written off through annual depreciation charges. If you examine our balance sheet for 1976-77, you will see that we have provided a sum of seven crores of rupees by way of depreciation alone. The other companies which were set up in the early 1960s, are either paying very low royalty or almost no royalty at present. Modi Rubber has to pay royalty at the rate of two per cent partly because the technology is new and modern and partly because we have only recently started making these payments. So this is also a big load on the new unit. Our depreciation and royalty costs thus come to around eight crores of rupees a year. Companies of the same size established in the 1960s have to make similar provisions of not more than Rs 2 to 2.5 crores. It means that Modi Rubber in comparison with other companies has to make additional provisions for these costs which range between five and six crores of rupees every year.

If the elements of cost of Modi Rubber and Ceat are compared after ignoring interest on borrowings, depreciation and royalty charges, will be found that Mod Rubber is more economica than Ceat because its cost i only 88 per cent of the tota as against 92 per cent in th case of Ceat. Our cost of raw materials per unit is the sam as in the case of Ceat. Ou administrative costs are lower These figures clearly point t the fact that the rebate in ex cise duty given to Modi Rub ber is not being used for put ting any costly or additional raw materials in the manufacture of its tyres. Modi Rubber has given an undertaking to the government that the excise rebate will not be utilised for creating unhealthy competition with the old manufacturers of tyres.

Q. *Next year when the excise rebate will be withdrawn by the government, how will you be able to maintain the financial affairs of Modi Rubber? This excise rebate was available to you for meeting such costs as interest on capital, royalty payments to collaborators and depreciation charges on plant and equipment. In the absence of the rebate in excise duty, the balance sheet of Modi Rubber should look different. How do you propose to meet this challenge? How and where will you economise in expenditure to retain your premier position in the market?*

A. When the excise rebate will be withdrawn after March 31, 1979 our financial position will have improved considerably. For instance, the interest charges which we have been paying so far will be substantially reduced. This will be due to the fact that we have already been able to liquidate a significant part of the loans which we had contracted.

Let me refer to your earlier question which you had raised about the cost of inputs and other raw materials. I have

efore me a study which com-ares the performance of Modi Rubber and that of Ceat. Modi Rubber's turnover is Rs 70 crores and that of Ceat s Rs 74.66 crores: so Ceat's urnover is only six per cent igher than that of Modi Rubber. The number of tyres hat we have made is much ower than that of Ceat. It neans that we are having a igher yield on each unit of ale.

In the case of raw materials, our cost is 70 per cent of our otal sales, which is also the ercentage in the case of Ceat. t means that we are not using he excise duty for putting any dditional inputs or raw naterials in our product. This onclusively proves that Modi Rubber is not making use of he excise rebate for putting ny additional quantities of aw materials in its tyres.

The cost of inputs in the ase of Modi Rubber is lower han that of Ceat implying hat the availability of excise ebate has not made Modi Rubber extravagant or less fficient. The bulk of the con-essions has been utilised, as tated earlier, in meeting bligations in regard to depre-iation, royalty and interest n loans. The provision or depreciation in the case f Ceat is less than half of nat of Modi Rubber. This so applies to royalty and nterest on loans. We have to ay not less than Rs 76 lakhs y way of royalty while Ceat as not paid even a single aisa in this regard.

In order to meet the chal-enge of the withdrawal of xcise rebate a number of eps are being taken. First, e productive capacity of the nit is being enhanced; where-s the licensed capacity of the nit is 400,000 tyres, we actu-ly produced more than 600,000 tyres during 1976-77. This is in itself an achievement—to be able to produce 50 per cent more than the installed capacity. One thing is clear; the sanctioned capacity of our plant is not economically viable if excise rebate is not made available to it. So two options are open. Either the government continues this rebate for the next two years or it permits the unit to be expanded to what should be termed as a viable size at one million tyres a year. We have represented to the government that the capacity of our unit should be raised to a million tyres a year. Not only our unit but other new units also should be allowed to expand to the capacity of one million tyres a year. At that level, the economies of scale will be able to cover the additional costs such as depreciation, royalty and interest charges. As stated earlier, the excise rebate is mainly to help the new units in meeting the stupendous depreciation and interest charges.

The case is made out by the government that currently the licensed capacity in the country is sufficient to meet total demand by 1983. The present installed capacity of the units is around 8.5 million tyres. Letters of Intent have been issued to a few other parties whose total strength is more than three million tyres.

It is estimated that the installed capacity of tyre units in this country in 1982-83 should be around 11.4 million tyres. Production in that case would be around 10 million tyres. In the last two years, the growth in the tyre industry has been extremely modest. There are two major reasons for this sluggishness in the growth rate in tyre manufacture in this country. It was in

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973 that the hike in oil prices it the transport industry dversely. Now after more han four years, there are igns of stability in the trans- ort industry. Second, during he emergency the railways ad become extremely effi- ient which had also affected he traffic offered to the ruckers. Once again the in- dustry has started experienc- ng shortage in the availability f railway wagons. This has aturally diverted some traffic o the road transport industry. t means that the failure of he railways has benefited the oad transport industry.

During the last three months, here has been a spurt in tra- fic offerings to the road trans- ort industry and consequently n the demand for tyres for he trucks. Even the demand or trucks is brisk and accord- ng to unofficial sources, there s a premium of Rs 10,000 on TELCO truck. Until six months ago, TELCO was find- ng it difficult to dispose of all ts production. This demons- rates the rapid change in the economy. If the growth rate n road transport from 1972 to 1974 is projected, ignoring the intervening years, the demand will rise to 10 million tyres by 1982-83. The government's argument is that capacity has already been licensed up to 11.4 million tyres. New units have been given letters of ntent or licences for setting up capacity equivalent to 3.2 million tyres annually. Also ome of the existing units have been allowed to expand heir capacity. These licences or expanding capacities were given in the year 1973-74 when here was a shortage of tyres n the market. In fact, the government was offering licences to whosoever came orward for this purpose.

I am of the view that the whole policy of licensing of tyre capacity needs to be reviewed—not only in respect of new licences but also in regard to those who have been given licences to expand. There are some existing manufacturers who hold licences for expansion but have no programme to expand their manufacturing capacity. Even the licences for new units are only paper licences because the holders of these licences have no policy or programme for setting up the units. Today a plant having a capacity of 400,000 tyres a year needs capital outlay of Rs 45 crores. Unless the government forces them to go ahead and establish new plants without consideration of costs, these licensees are not likely to make any move in this regard. That is why all the new licensees are just holding their licences. When these licensees approach the financial institutions for funds, they are asked to explain the viability of their units in view of the high capital cost of the plant. None of them is in a position to satisfy the financial institutions. Therefore, the existing licences should be re-allocated so that only those parties are allotted additional capacity who can within the existing framework achieve expansion in capacity.

In my view Modi, J.K. and Apollo are the only units which can accomplish this task; also they have plans to do so. It will assist each one of these units to expand their capacity from 400,000 tyres to a million tyres in the next three to four years. In order to expand Modi Rubber capacity to a million tyres a year, the capital required will be much less than the capital required for a new unit. For instance, as stated earlier the capital cost of a plant of capacity 400,000 tyres will be Rs 45 crores whereas the same capacity can be achieved at one-fourth of this cost by our unit. Modi Rubber can add an additional capacity of 400,000 tyres annually at a cost of 10 to 12 crores of rupees.

There are only three companies which are being given 25 per cent rebate in excise. These companies should be given a chance to become viable at an installed capacity of a million tyres a year. The remaining capacity may be allotted to a limited number of manufacturers so that this country may have a small number of viable units instead of having a large number of nonviable units.

Q. *It means that you are optimistic about 1979 and 1980 only on the basis of the hope that the government will allow you to expand your capacity because then only will your unit be economically viable after the withdrawal of rebate in excise duty?*

A. We are finding ways and means to become viable in other ways also. If the excise rebate is withdrawn without permitting expansion in capacity, it will be a difficult task to make both ends meet. But we are planning to take certain measures which will help us to reduce the losses. We are trying to convert our capacity from all rayon to all nylon tyres. Also, we are trying to import new technology i.e. steel radial technology. This is a technology which has not been imported into this country so far. Apollo has announced steel-belted tyre. However, all over the world the most successful tyre is a steel radial tyre. Our collaborators have already made a mark in this regard. Modi Rubber has presented a proposal to the government in regard to the manufacture of all steel radial tyres. That will enable our unit not only to sell successfully in this country but also to export tyres. Because lower rolling resistance in tyre, the efficiency of the tr goes up by about 10 per ce In a way, the use of such ty will be very economical the country as it will redu the consumption of fuel by per cent. It gives 60 to 70 p cent extra mileage. We are a investigating if any furth balancing of our equipme can be done so as to make t unit more efficient. With the changes, we may be able break even, but the real answ to the challenge which faces is the permission to expan our capacity.

Q. *During the last seven yea what has been your accumulate performance in terms of prof and loss?*

A. The first four balanc sheets of Modi Rubber Limite covered the construction perio i.e. when the factory was sti coming up. So any losses i those years cannot be calle working losses. The latest thre balance sheets therefore cons titute the real working balance sheets of the company.

The performance of Mod Rubber has improved signifi- cantly year after year. The accumulated profit is still minus; it means the perfor- mance of the last seven years in terms of profit and loss is still a loss. Out of the accumulated loss of Rs 7.4 crores, Rs 4.5 crores is in regard to investment allow- ance. Normally, the invest- ment allowance can be provid- ed for in the year a company makes a profit but we have, under legal advice, made a provision for it even though we have made a loss. Thus, the working loss is of the order of Rs 2.7 crores only, which we are sure to wipe out during the current year. There is no difficulty about that. Taking all factors into consideration, the company has done well.

TRADE WINDS

RBI to Invest Abroad

THE RESERVE Bank of India has been empowered to invest India's foreign exchange reserves abroad in various new ways to earn better returns than at present. A bill passed by Lok Sabha on May 8, amends the Reserve Bank of India Act, 1934, enabling RBI, among other things, to open gold accounts abroad, invest in foreign securities guaranteed by a foreign government, open accounts with foreign branches of Indian banks and invest in the shares and securities of international or regional banks or financial institutions formed by foreign governments or principal currency authorities.

The enactment also enables RBI to give loans in foreign currencies to scheduled banks and certain specified financial institutions to help them purchase foreign exchange from the Reserve Bank for financing import of capital goods and other approved purposes.

Central Excise Procedure Simplified

In order to mitigate the difficulty to assessees and also as a measure of simplification of the central excise procedure the government has decided to do away with the prior approval of price list before an assessee can undertake clearances laid in rule 173-C of the Central Excise Rules except in certain cases.

An assessee can henceforth clear the goods after filing a price list without waiting for its approval, except in the following categories of cases :

(a) Sales to or through a related person;

(b) Clearances for captive consumption;

(c) Clearances for free distribution;

(d) Other clearances which do not involve sale to a non-related person.

Exemption for Small Manufacturers

To save smaller manufacturers the trouble of maintaining records and complying with central excise formalities even where no central excise duty is payable, government has substantially widened the scope of the exemption from licensing control.

Units manufacturing goods which are fully exempted are being exempted from licensing control. Units manufacturing fully exempted excisable goods from duty paid raw materials or without the aid of power have also been exempted from observing licensing formalities.

In the case of commodities which are exempted from the whole of the duty of excise on the basis of the value of clearances in a financial year, a relaxation from licensing control has now been given where the clearances of such units remain without 80 per cent of the exemption limit under the relevant notification. It is only if they reach 80 per cent of the said exemption limit that they will have to obtain a central excise licence and observe all the central excise formalities. Such exempted units will only have to give simple annual declaration in the prescribed form.

Rural Electrification Scheme for Rajasthan

The Rural Electrification Corporation has sanctioned 36 rural electrification schemes for Rajasthan for 1977-78 with a total loan assistance of Rs 14.32 crores. Out of these, 30 schemes are for electrification of 1,551 new villages and energisation of 10,650 agricultural pumpsets in the 17 districts of Alwar, Bharatpur, Bhilwara, Bikaner, Chhitorgarh, Churu, Dhungarpur, Jaipur, Jalore, Jhunjhunu, Jodhpur, Nagaur, Pali, Swai Madhopur, Sikar, Ganganagar and Udaipur.

Giving this information in Lok Sabha on April 10, the Energy minister added that two schemes are for setting up workshops for repair of damaged transformers linemen training centre and four are for system improvement/power factor rectification.

Pump Industry Diversifies

During the last two decades, our pump industry has registered a growth of almost 400 per cent, giving a yearly growth of about 26 per cent. This was stated by Mr R.R. Bareja, president, Indian Pump Manufacturers' Association while addressing the 27th annual session of the association recently held in New Delhi. The units registered with the DGTD have an installed capacity of 5,00,000 pumps per annum as against the licensed capacity of 7,00,000. The capacity utilisation is thus of the order of 60 per cent per annum. Besides, the units in the organised sector, there are about 500 manufacturers of pumps in the medium and small-scale sectors.

Speaking on the export performance of the industry, Mr Bareja, said that the pump industry had ventured into the highly competitive overseas market and the industry had achieved an appreciable level of export which was increasing steadily year after year. During 1976-77 the export performance of the industry was Rs 7.65 lakhs.

HTL Electronic Typewriter

Hindustan Teleprinters has developed a production model of an electronic typewriter which will be available in the home market within the next two or three years.

The model which HTL is at present developing is a smaller and a more compact electric typewriter. It would cost around Rs 2500 like a normal typewriter. Its braille typewriter for the blind was now being tested. The country would need about 10,000 of these annually, Dr Seetharaman, HTL's chairman said.

Since its inception the HTL had marketed as many as 65,000 teleprinters. It had reduced the price from Rs 7,000 to Rs 5,300 in 1970 and held the price at that level for four years. Dr Seetharaman claimed that even the present price of Rs 6,400 was less than half of the price of a comparable imported machine.

Indian teleprinters were being exported to about 25 countries but the overall quantum of exports is a mere fraction of the production as

to have any impact on indigenous prices.

Last year, production dropped to 6,120 printers, much below the target, because of non-availability of raw material. Production is slated for 8,000 printers in the current year, he said.

Caltex and HPC Merged

Caltex has been merged with Hindustan Petroleum Corporation. A notification to this effect was issued by the Company Law Board on May 9.

In a writ petition, filed by the Caltex employees on April 28 in the Bombay High Court, it was sought that the status quo should be maintained. But the central government contested this condition and the petitioner thereafter did not press the claim. The hearing for the admission of the writ is fixed for this month. But before the writ is taken up for admission the Company Law Board has issued orders as a result of which Caltex stands merged with IPC.

Banks Cut CDS Interest Rate

The interest to be paid by banks on the deposits made with them by income-tax payers under the Compulsory Deposits Scheme (Income-tax Payers) Act, 1974, has been cut from March 1, 1978. The banks have brought down the interest rate from 10 per cent earlier to nine per cent, and accordingly, the interest paid to the depositors for 1977-78 has been at the higher rate of 10 per cent for the first 11 months and at nine per cent for the last month.

According to the banks which collect these deposits under the scheme, the act itself has provided for the rate at which interest has to be paid on these deposits. Where at any time after a deposit is made by or recovered from the depositor there is an increase or reduction in the bank deposit rate interest in respect of so much of the period as falls after the first day of the month immediately following the month in which the bank deposit rate is increased or decreased shall be calculated at the rate so increased or reduced.

Inchek Taken Over

The centre has taken over the management of Calcutta-based Inchek Tyres under the IDR Act for five years with effect from April 13. An official notification said the company was being managed by the previous management in a manner highly detrimental to public interest. Seven of the nine-member board of directors of Inchek Tyres Limited have been dismissed by the Industries ministry. The remaining two are government nominees

The newly constituted five-members board of Inchek Tyres is headed by Mr J. I. Mehta, chairman of National Rubber Manufacturers Limited which has also been recently taken over by the centre. Mr Mehta was the general manager of Union Carbide.

Inchek Tyres, with a share capital of Rs 3,00,80,000 incurred a loss of over Rs 3.56 crores in 1975-76. The deficit in the company's operating results for the year ended June 30, 1977 was over Rs 2.38 crores.

The take-over of the management came when the company was on the verge of closure with about 1,400 workers on its roll. The extremely poor capacity utilisation of the company did not allow the previous management even to take advantage of its collaboration agreement with B.F. Goodrich of the USA during the past three years. Banks and financial institutions nearly stopped advancing credit. The IRCI disbursed a special loan of Rs 24 lakhs in December last to cover the cash loss excluding interest. Within a year, the government had ordered a second investigation into the affairs of the company.

First Gold Auction

The Reserve Bank received in all 429 bids up to May 3, 1978 in its first auction for sale of gold from government stock. Out of the 416 valid bids, 229 were accepted. The total quantity of gold awarded to the successful bidders was 4,92,600 grammes. The prices quoted by the successful bidders ranged from Rs 620 to Rs 663 per 10 grammes. Successful bidders hailed from different parts of the country.

Several bidders failed to attach bankers' cheque as required by the invitation to bid. Representations were received for relaxation of this condition for want of clarification. The Bank decided relax this condition regard bankers' cheques drawn the Reserve Bank of Indi view of this being the first g auction and the possibility a genuine misunderstandin the condition. Accordin all kinds of cheques, dra etc., drawn payable to Reserve Bank have b accepted.

At the time of going press, standard gold contin to be firm at Rs 700 per grammes in spite of the pr mity of the second gold auct on 16th. It will be two to th days before the results of auction are known, the respo to the second auction is expec to be better than to the f one. The pressure of seaso demand will continue for next three weeks and prospe of the price of the yellow me coming down are not rated hi

The minister for Finan Mr H.M. Patel, on May turned down a demand to s pend official gold sales. T plea was made by some of t members at the meeting of t parliamentary consultat committee for the ministry Finance. According to th

I am a muddler—H. M. Patel

ıch sales would benefit only a ew gold dealers. Moreover, espite the gold sale, the price f gold had gone up. Mr Patel old the members that the overnment had carried out nly one auction so far and it as therefore too early to udge the advisability of the perations. He wanted the nembers to wait and see.

Vanaspati Manufacturers' Meet

At the annual general meeting of the Vanaspati Manufacturers Association, its chairman, Dr N.C.B. Nath expressed concern at the crisis in oil upply position which has een brewing for sometime.

He said that during the last 5 years our yields of oilseeds ave been near stagnant with a ess than 0.9 per cent increase. n some cases there has been a ecline. On the contrary, rising ncomes and larger demand or oil with inelastic supply had ed to shortages and to higher rices. Consumers in the last ew seasons had to make o with less and also pay high rices.

The chairman said that the overnment had resorted to the oft option to solve the oil upply problem through imort. This, he said, solved some roblems but added many nore. When a commodity ets used to easier way of dding supplies somehow the dge of the need for larger ternal production gets bluntd. This should not happen, e said.

One of the reasons for poor lseed productivity, according Mr Nath, was the small sums ent on oilseeds research. In e first three five year Plans we ad spent one crore of rupees n research. In the fourth and fth Plans it had increased to ur crores of rupees which works out to Rs 5 lakhs per year per crop—spread over 17 million hectares and varying agro-climatic conditions.

The industry, Mr Nath said, had been involved in agricultural research and extension in the last 15 years. In demonstrations over 27,000 hectares the industry had established that a 40 per cent increase in yields of some oilseeds was possible. He felt that the farmer was receptive to the new varieties and package of practices, whether they be in cereals, cotton or oilseeds. What needed was consistent effort on the required scale. He said that from February this year industry had voluntarily contributed Rs 25 per tonne of imported oil allotted for a fund for agricultural research and extension. This would work out to about one crore of rupees a year.

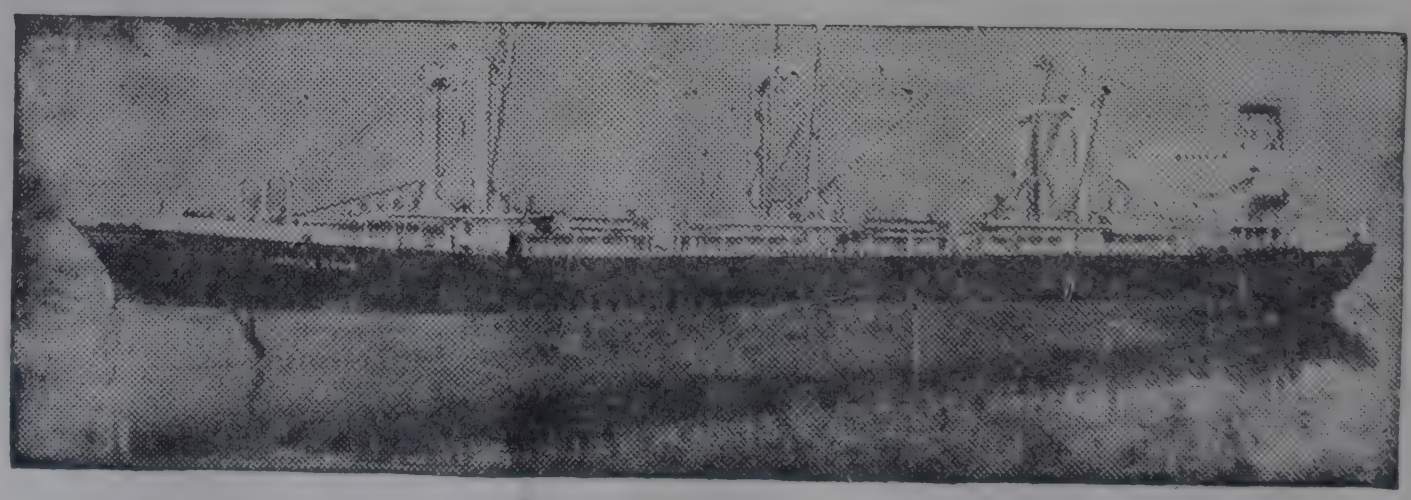
The chairman pleaded for the reconsideration of the incidence of indirect taxes. Not taking into account the cascading effect on vanaspati, this amounted to Rs 1.40 a kilo; competing products like refined oil had an incidence of 32 paise. It was only 20 paise for edible oil, he said.

50% Quota Reserved for Handlooms

In a bid to give fresh boost to the export of handloom garments, the government has decided to reserve 50 per cent of the next half year's (July-December 1978) garment quotas for the exporters of handloom garments. The authorities had earlier decided to allocate the garment quotas surrendered during the first half of the current year to handloom garment exporters on a preferential basis.

The new garment policy announced by the government also makes a significant departure from the current policy in more than one respect. The authorities have decided not only to raise the floor price for different garments but also to fix the price on the basis of category.

The policy also proposes to raise the quantum of earnest money before allocating under the first-come-first-served basis for readymade goods. For the allotment of quotas against firm contracts, the government will now insist for the performance bond calculated at 10 per cent of the f.o.b. value. This is done to eliminate the bogus elements in the trade which during early this year cornered the garment quotas for speculation and trading. Besides, the government has asked the Cotton Textile Export Promotion Council (TEXPROCIL) to manage the distribution of the



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quota as per the new policy for the second half of the year also.

FICCI Drawing up Model ST Law

The Federation of Indian Chambers of Commerce and Industry has decided to work out a model sales tax law for the consideration of the government to achieve a degree of uniformity among states. The decision was taken at the two-day meeting of its standing advisory committee which concluded in Calcutta on May 12.

The programme of work for 1978-79 was also finalised which will include a specific programme for accelerated development of small and village industries. The meeting also expressed concern over the takeover of the management of an industrial unit by the Kerala government on the grounds that there was a strike there for about five months or so.

Exports to France Rise

Our exports to France during 1977 rose to Rs 2,620 million as compared to Rs 1,890 million in 1976 registering an increase of 38.6 per cent. Trade with France has also recorded a surplus in our favour in 1977.

The substantial hike in export earnings was achieved mainly due to the increase of exports of silver, readymade garments and oil cake. Leather was the only item amongst the major commodities exported to France which recorded a decline of 9.7 per cent in the export earnings during 1977 over 1976.

The total value of our imports from France decreased to Rs 1,440 million in 1977 from Rs 2,050 million in 1976, recording a decline of 29.8 per cent. The major items of imports are engineering goods, edible oils, steel, chemicals and aeronautical equipment. In 1976 this country had imported foodgrains worth Rs 540 million and three civil transport aircraft from France, Since these imports were not repeated in 1977, the total value of imports came down.

On the other hand, the import of edible oils, which was worth Rs 303 million in 1977, registered a sharp increase by 14 times over the import of Rs 22 million in 1976. The import in steel, electrical engineering items and chemicals also recorded a rise by over 88 per cent, 40 per cent and 39 per cent respectively over the imports in the previous year. In the case of mechanical engineering items, however, the value of imports in 1977 decreased by 9.5 per cent.

Tie-up for Fishing Vessels

There is tremendous scope for technical collaboration between British shipbuilders and our shipyards for building fishing vessels in this country. This is the predominant impression held by a British team of shipbuilders which had visited the country recently. The leader of the British mission, Mr A. MacDonald, stated at a news conference that Britain could offer consultancy service to Indian shipyards in building fishing vessels. Britain had developed highly advanced technical expertise for the fishing industry.

Mr MacDonald said the mission had visited Calcutta, Bombay, Madras and Cochin to study the requirements of the Indian shipping industry. West Bengal and Tamil Nadu had shown interest in the setting up of training centres and consultancy services with the assistance of British experts. In Kerala and Maharashtra, there could be fruitful cooperation at the technical level.

Mr MacDonald felt there was scope for India buying some fishing trawlers from Britain and later manufacturing the same in this country with British help. Processing and distribution of fish and fish products was another field where Britain could help India. Mr MacDonald said during talks the mission had with different shipping interests in this country, it had studied requirements of our shipping industry in regard to commercial sales of fishing vessels. The mission also studied the possibilities of having joint ventures with Indian shipping industry.

Industrial Licensing

Despite the new liberalised industrial licensing policy, the reservation of items for the public sector under schedule A of the original industrial policy resolution will continue. According to a press note issued by the Industry ministry on May 12 it will not be open for any entrepreneur in the private sector to set up manufacture of any of these items without a licence in consequence of the provisions of exemption.

The press note among other things says that on the recommendations of the Study Group on Industrial Regulations and Procedure, government has decided to exempt industrial undertakings from obtaining industrial licences if their proposed investment in fixed assets in land, building, plant and machinery for effecting substantial expansion or for manufacturing of new articles does not exceed Rs 3 crores subject to certain conditions. limit of Rs 3 crores shall ap to one or more activi whether single or ta together or whether in one more stages. As regards qu fying for exemption in resp of foreign exchange requ ments for raw material, co ponents and the like speci in the press note and in notification an undertak would qualify if the propo investment does not requ foreign exchange per year excess of 10 per cent of ex-factory value of the ann production arising from s investment or Rs. 25 la whichever is less for the imp of raw materials.

Greater freedom

In regard to undertaki which would not require a industrial licence under t new policy a simple proced of registration with the tech cal authorities will be follo ed. It will be obligatory for industrial undertakings exem ted from licensing to get the selves registered with t appropriate technical autho ties concerned as prescrib in the notification of April 2 1978. Government expects th the new licensing policy w ensure greater freedom a opportunity for entrepreneu particularly small and m dium groups and the new industrialists and would brin about an accelerated rate industrial growth.

Names in the News

Mr Satya Narayan Sinha, senior Janata member fro Bihar, has been renominate chairman of the Estimate Committee by Lok Sabh speaker. The speaker has als appointed **Mr P.V. Narasimha Rao** (Cong-I) as the Chairma of the Public Accounts Com mittee.

COMPANY AFFAIRS

Ashok Leyland

ASHOK LEYLAND is going ahead with its expansion programme aimed at raising the capacity to 10,000 vehicles per annum. Last year the company incurred capital expenditure of Rs 2.32 crores on this account. Meanwhile, the management is contemplating the possibility of further expansion. The company has also secured an industrial licence for the manufacture of industrial marine engines to 1.50 numbers per annum by way of substantial expansion. ICICI has provided the required foreign currency loan to cover the imports of plant and machinery required for the expansion programme.

The company has recently introduced two new models, a passenger vehicle and a haulage vehicle with a gross vehicle weight of 13 tonnes. Both the models have been well received in the market. The research and development activities of the company continue to keep abreast with sophistication in technological developments. The company has now no collaboration arrangement with British Leyland.

During 1977 the compay produced 7842 vehicles, as against 10,586 in the preceding 15 months. Even though there had been disruption of regular supply of critical components, the overall sales of chassis and spare parts has been satisfactory. Total sales amounted to Rs 95.65 crores compared to Rs 127.48 crores for the previous 15-month period. The company showed a profit before tax of Rs 12.77 crores against Rs 13.96 crores last year. Net profit amounted to Rs 5.37 crores (Rs 6.52 crores). The directors have decided to again pay a dividend of 18 per cent as was paid for the 15-month period.

S.I. Viscose

South India Viscose has raised the equity dividend from 9 per cent to 10 per cent for 1977. According to the preliminary figures, the gross profit is lower at Rs 4.56 crores in 1977 against Rs 4.87 crores in the previous year. Provisions include: depreciation Rs 2.88 crores (Rs 2.37 crores), investment allowance Rs 98 lakhs (Rs 38 lakhs) and taxation nil (Rs 1.30 crores). Dividends will absorb Rs 73.50 lakhs (Rs 66.15 lakhs).

Phillips Carbon Black

The profit margin of Phillips Carbon Black is under pressure following the sharp increase in prices of feedstocks. Though the company's production increased by about 14 per cent to 41,000 tonnes and sales to Rs 20.57 crores in 1977 from Rs 17.89 crores, its pretax profit showed only a marginal increase to Rs 4.82 crore from Rs 4.79 crores.

The prices of feedstocks were raised by about 25 per cent in December last, and the management was able to pass on only a small part of the cost increase by raising prices of some of the grades of Carbon Black recently.

The fortunes of the company are tied with the tyre industry. It expects to show improvement in its performance with the sustained increase in the production of tyres, and development of the automobile industry.

The company's chairman, Mr K.P. Goenka, feels that the level of development we have in India warrants a growth rate of at least 10 per cent for tyre industry. Mr Goenka believes that incentives should be offered to the tyre industry in order to reestablish itself on a sound footing. The output of tyres increased by about 7.1 per cent and consumption of all types of rubber advanced by 5.4 per cent during 1977.

Sandvik Asia

Sandvik Asia is actively implementing its expansion and modernisation programme. The total cost of the programme is Rs 2.85 crores, of which Rs 1.07 crores had been spent till the end of May 1977. Most of the imported machinery has arrived. In accordance with the dilution formula, the company has offered this year rights equity shares exclusively to Indian shareholders to finance a part of the expansion programme. After issue of such shares, the shareholding of Sandvik AB, Sweden, will come down to about 55 per cent of the total paid-up equity capital.

Mr N. S. Phatarphekar, chairman of the company said in his statement that the kind of situation which prevailed in 1977 would not repeat—the company has reduced the equity dividend from 20 to 12 per cent—and there is every hope of the company declaring higher dividends as the company's expansion and modernisation programmes are completed and the benefits thereof take effect. The rights shares offered this year will rank for a *pro rata* dividend from the date of allotment.

Dharamsi Morarji

Dharamsi Morarji Chmical Company did well in 1977. Production, sales and profits were higher than in 1976. The outlook for the current year is considered promising. According to the figures given by the chairman at the annual meeting production, sales and turnover in the first quarter of the current year are higher than in the same period of last year. The total turnover for January-April 1978 is placed at Rs 736.89 lakhs against Rs 637.93 lakhs in the same period last year, representing an increase of about 1.5 per cent.

Swadeshi Polytex

Swadeshi Polytex has proposed to maintain a total equity dividend of 15 per cent for the year ended September 1977 with the announcement of the final distribution of seven percent. Its operations reveal a marked impact of the changed marketing conditions in respect of polyester fibre. Although the company's production was 5,053 tonnes against 5,090 tonnes in the previous year, the value of sales dropped by 15 per cent from Rs 42 crores to Rs 35.70 crores, reflecting a fall in price realisations. Consequently the gross profit has dropped by as much as 53 per cent from Rs 5.31 crores to Rs 2.50 crores. The ratio of gross profit to sales has fallen from 12.6 per cent to seven per cent. Out of the gross profit depreciation claims Rs 1.27 crores (Rs 1.26 crores) and investment allowance reserve Rs 1.20 lakhs (Nil) leaving a net profit of Rs 1.11 crores against Rs 4.05 crores in the previous year. A sum

s 6.15 lakhs (Nil) has been sferred to special reserve, 5 lakhs (Rs 15 lakhs) to enture redemption reserve Rs 43 lakhs (Rs 90.96 as) to reserves.

neral Electrodes

General Electrodes and ipment has suffered a back in its working ing 1977. Sales have come vn from Rs 2.13 crores in 6 to Rs 2.08 crores in 1977 l the gross profit from 25.05 lakhs to Rs 12.36 hs. After providing Rs 2.39 hs (Rs 2.26 lakhs) for de- ciation Rs 14,154 (nil) for vestment allowance and 5 lakhs (Rs 12.40 lakhs) taxation and after some justments, a sum of Rs ,000 (Rs 5.44 lakhs) has en transferred to general serve No. 1. Equity dividend s been reduced from 15 per nt to 12 per cent which will sorb Rs 3.55 lakhs (Rs 4.44 khs).

ousing Development inance Corporation

A novel scheme to promote ousing in the country has een initiated by the Housing evelopment Finance Cor- oration Ltd to provide cheap ans on the lines of societies Britain and the USA with ecial benefits for sharehol- ers.

The main object of the com- any is to provide institution- facilities for meeting the eeds of people for long-term oan finance on moderate rms for construction, purchase nd ownership of residential ouses in urban and rural reas all over India. It will in eneral seek to facilitate in- lividual ownership of apart- nents and houses. It will also eek to provide for the needs f that section of the com- nunity which is not in a position to own housing but only rent it. The company will also consider, where appropriate, development of housing estates on its own, directly or as agent for any other party, which could provide mass dwellings for low and middle income families. The company may also provide funds for construction of offices, shopping centres, nursing homes and other amenities which go with housing schemes.

The company may, in due course, promote local housing agencies on the basis and pattern determined by it in order to expand its operations as widely as possible. Besides Bombay, it proposes to open offices in New Delhi, Calcutta and Madras.

Repayment Arrangements

The company proposes to lend against the assets to be financed and/or any other security to the satisfaction of the company. The extent of loan per borrower will be determined in accordance with the rules framed by the company from time to time. The repayment of loans may be spread over different periods depending upon the earning capacity of the borrowers and other factors and may not exceed 20 years.

The company has been promoted by the Industrial Credit and Investment Corporation of India. The company proposes to raise initially a capital of Rs 10 lakhs through equity share of which 600,126 shares worth Rs 2,25,03,150 have already been issued, subscribed and paid-up. The company has offered to the public 399,874 equity shares of Rs 100 each for cash at par.

Equity shares of Rs 50 lakhs have been kept reserved for offer to IFCW which has agreed in principle to sanction a line of credit of $ 4 million and negotiations of the terms of the investment and ancillary agreements in respect thereof are pending.

In addition, 50,000 equity shares of Rs 100 each have been reserved for offer to His Royal Highness The Aga Khan and/or Fondation Aga Khan, Switzerland, or other body corporate controlled by him.

Food Specialities

Food Specialities has stepped up its equity dividend from 15 per cent to 20 per cent for 1977 in the wake of substantially improved results. While sales improved modestly from Rs 20.35 crores to Rs 20.37 crores, the gross profit has risen strikingly from Rs 84.25 lakhs to Rs 120.04 lakhs. After providing Rs 35.44 lakhs (Rs 36.80 lakhs) for depreciation, Rs 20.40 lakhs (Rs 20.71 lakhs) for taxation, Rs 21 lakhs (nil) for investment allowance reserve and making other adjustments, there is a surplus of Rs 43.20 lakhs against Rs 36.35 lakhs in the previous year. Equity dividend will claim Rs 36.98 lakhs (Rs 27.25 lakhs). After writing back Rs 69.81 lakhs from depreciation, a sum of Rs 74 lakhs (Rs 8.60 lakhs) has been transferred to the reserves. Sales in the first four months of the current year have increased sharply to Rs 10.75 crores. The Controller of Capital Issues has revised the terms of the rights shares. The company has been accorded consent to issue right shares at a premium of Rs 2.50 per share in the ratio of six shares for every five held. Earlier, it had proposed a one for one rights issue. Indian shareholders hold 567,135 equity shares in the company. After the rights issue, there be will a balance of 19,438 shares which will be offered to those Indian shareholders whose holding is less than 25 shares after the 6 for 5 rights issue. Besides, the company has been allowed to issue at its directors' discretion 32,865 equity shares to Indian residents, mostly to relatives of the employees.

A.P. Carbides

A new Rs 6.23 crore calcium carbide project is being set up at Kallur near Karnool (Andhra Pradesh). A joint sector company, Andhra Pradesh Carbides, will implement the project, which will initially have an installed capacity of 27,000 tonnes per annum. The company holds an industrial licence for manufacturing 33,000 tonnes per annum of calcium carbide.

The process of the manufacture of calcium carbide will be electrothermal process. This process has been used for production on commercial scale all over the world. The electrothermal process using submerged electric arc furnace has several advantages over the low shaft kiln for the production of calcium carbide of commercial grade purity.

The furnace and the main plant is to be imported from the USSR. The erection of the plant and machinery is expected to be completed by November 1978. If all goes well, commercial production is expected to start by the end of this year or early next year. Taking into consideration the general demand for calcium carbide and the supply position, the company does not envisage any difficulty in marketing its products.

The capital outlay is proposed to be met by share capital (Rs 2.14 crores), rupee term loans (Rs 325.50 lakhs),

foreign currency loans (Rs 6.20 lakhs), deferred credit from plant supplies (Rs 62.30 lakhs) and a central subsidy (Rs 15 lakhs). The company proposes to make a public issue of 10.49 lakh equity shares of Rs 10 each at par shortly.

Victoria Mills

Victorial Mills has been able to show a satisfactory result for 1977, in spite of increase in cost of production without any corresponding increase in selling prices of cloth, higher cotton prices and restrictions on power consumption. It was able to maintain production by supplementing the public supply of power with its own generation.

During 1977 the company's sales increased from Rs 10.08 crores to Rs 11.60 crores and gross profit from Rs 91.33 lakhs to Rs 1.10 crores. Net surplus was also higher at Rs 38.52 lakhs (Rs 31.49 lakhs). The directors have recommended an equity dividend of 18 per cent on an enlarged capital which together with the usual payment on preference capital will require Rs 14.65 lakhs (Rs 10.32 lakhs). The value of exports was of the order of two crores of rupees as against Rs 2.24 crores previously. The company added capital assets of Rs 31 lakhs during the year.

J.K. Synthetics

According to the preliminary statement of J.K. Synthetics, sales of the company has risen by 5.4 per cent from Rs 106.39 crores in 1976 to Rs 112.19 crores in 1977. With the grose profit rising by 56 per cent from Rs 11.27 crores to Rs 17.60 crores, the ratio of gross profit to sales has improved from 10.6 per cent to 15.7 per cent. Allocation include, depreciation Rs 3.87 crores (Rs 3.86 crores), investment allowance Rs 61.22 lakhs (Rs 2.34 lakhs) and taxation Rs 5.50 crores (Rs 3.25 crores). This shows that there has been an all round improvement in its working results for 1977. Sales, profits and margins all are higher than in the preceding year. Equity dividend has been maintained at 15 per cent and nearly covered by over five times by the year's earnings. After adjustments, a sum of Rs 7.50 lakhs (Rs 10 lakhs) has been transferred to capital redemption reserve and Rs 5.21 crores (Rs 2.62 crores) to general reserve. Dividends will absorb Rs 1.35 crores (same as last year).

Mahindra Ugine

Mahindra Ugine Steel Co has maintained the equity dividend at 14 per cent for 1977, despite a setback in its working during the year. Sales declined from Rs 16.50 crores in 1976 to Rs 14.32 crores in 1977 and the gross profit from Rs 3.08 crores to Rs 2.22 crores. After providing Rs 72.58 lakhs (Rs 68.42 lakhs) for depreciation, Rs 11.25 lakhs (Rs 15.50 lakhs) for investment allowance and nil (Rs 86 lakhs) for taxation the net profit works out at Rs 138.29 lakhs (Rs 17.71 lakhs). Equity and preference dividends will absorb Rs 57.50 lakhs (same as last year). A sum of Rs 7.50 lakhs has been transferred to special reserve and Rs 29 lakhs (Rs 67.46 lakhs) to general reserve. The balance of Rs 100.74 lakhs has been carried forward.

The operations of the plant were inhibited due to the continuance of power cut of 30 per cent up to April 30, which remained at 20 per cent throughout the remainder of the year. The sales turnover would have been higher by about Rs 80 lakhs had there been normal working during April when the operations of the plant remained suspended for 17 days due to a strike.

The substantial expansion of the alloy steel plant has reached an advanced stage as imported plant and equipment as well as major items of indigenous source have already arrived at site. The integrated operations from the additional facilities which are being created under the expansion scheme are expected to be completed by mid 1979 resulting in substantially higher output and turnover during 1979. During the decade 19 1977, the company's alloy s plant at Khopoli has produ about 2.50 lakh tonnes finished alloy and special s which resulted in substan savings in foreign exchange

Thirumalai Chemica

Thirumalai Chemicals, wh commenced production phthalic anhydride in 19 has reported good results 1977 and hopes to achi further improvement in working this year. The co pany had a sales turnover Rs 3.11 crores for 1977 a earned a gross profit

Hindustan Aluminium Corporation Limited

Regd. Office: CENTURY BHAVAN, Dr. Annie Besant Road, Bombay-400 025

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Shareholders of the Company will be held on Tuesday, the 20th June, 1978 at 4-00 P.M. (S.T.) at Birla Matushri Sabhagar, 19, Marine Lines, Bombay-400 020 to transact the business as contained in the Notice dated 24th April, 1978 which together with the Explanatory Statement relating to the relevant business specified therein is being posted to all the members individually at their registered addresses.

Notice is also hereby given pursuant to Section 154 of the Companies Act, 1956 that the Register of Members and Transfer Books of both Equity and Preference Shares of the Company will remain closed from 24th May, 1978 to 10th June, 1978, both days inclusive.

By order of the Board of Directors
M.K. JAIN
Secretary

Bombay,
Dated the 24th day of April, 1978

NOTES :

(A) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VO INSTEAD OF HIMSE AND THE PRO NEED NOT BE MEMBER.

(B) The dividends on Equity and Preferen Shares as recommend by the Directors, wh sanctioned at the Ann General Meeting, will made payable on and af 29th June, 1978 to th shareholders whose nam stand on the Register the Company as on 1 June, 1978 to whom di dend warrants will posted.

(C) Members desiring to Tax Exemption Certifi tes issued by the Incon tax Officer/Statements Form No. 14B (in dup cate) under the first pr viso to Section 194 of t Income-tax Act, 1961 requested to forward t same to reach the Co pany's Registered Office or before 10th June, 19 in order to get the di dend without deduction tax at source.

(D) Shareholders are reque ed to intimate to the Co pany changes, if any, their registered addresse

51.78 lakhs against a loss Rs 2.58 lakhs on sales of 1.44 crores for 1976. The mpany's net profit for 1977 ounts to Rs 13.47 lakhs inst a loss of Rs 34.95 hs after providing Rs 37.69 hs (Rs 32.37 lakhs) for preciation. Its aggregate ficit totalled Rs 20.38 lakhs the end of 1977.

The company's production ring 1977 was considerably fected because of the shor- ge of raw materials and vere power cut. The plant d to shut down for about o months due to technical oblems. Consequently, the gregate production totalled ly 3,560 tonnes against the stalled capacity of 7,500 nnes. Also, the price realisa- on for phthalic anhydride uring the later part of the ear was lower on account of cession in demand and the nsequent stiff competition oth from imported material nd indigenous manufacturers. here has however been con- iderable improvement in the orking of the company with he recent ban on imports of hthalic anhydride and ade- uate availability of raw mate- ials following liberal imports. The company's plant is cur- ently working at full capacity nd the directors hope that anditions will be more favou- able during the second half f 1978.

Kamani Metals & Alloys

Kamani Metals and Alloys Ltd, a leading manufacturer of non-ferrous semis and copper and copper-base alloy rolled products, which has two units at Kurla (Bombay) and Bangalore (Karnataka), indeed, has turned the corner during the last three years. Its production registered an increase of 12.7 per cent in 1977 over the previous year's output, which in itself was higher by 47 per cent as compared to the production in 1975. The total sales of the company, inclusive of conversions, registered an increase of 6.2 per cent last year. In the previous year, they had gone up by 15.4 per cent. As against a loss of Rs 47.76 lakhs, after providing for depreciation, in 1975, the company earned a profit of Rs 24.85 lakhs in 1976 and as much as about Rs 37 lakhs in 1977. After providing for nearly Rs 12 lakhs on account of additional payments to staff and workers in respect of the year 1976, the profit after depreciation in 1977 works out to approximately Rs 25 lakhs.

Widening the Base

Besides improved management, two major factors which have contributed to the recovery of the company include widening of the market base with greater emphasis on catering for the requirements of the industrial/national sector and the development of products for defence. Better management techniques have resulted in a good deal of economy and operational efficiency; the working capital requirements are being well regulated. Nearly 30 per cent of the company's total production currently aims at catering for the requirements of the priority sectors like defence. This percentage has grown significantly during the last three years as a result of adherence to strict time-schedules for supplies and quality standards.

The industrial relations have also improved considerably, but due to the labour turmoil in Bombay early this year, there was some setback in this regard. The situation, however, is stated to have improved again.

The company has plans to instal a continuous casting machine to enable it to improve its product-mix further so that it can re-enter the export market for sophisticated products. The Industrial Finance Corporation is said to be considering a proposal for making available term-loan assistance for this purpose. The company has also been granted permission to import a "Z" Mill for the manufacture of thinner materials. This too will help the export effort.

The company may go in for a public issue after the publication of its 1977 balance sheet. The management is looking forward to the future with optimism.

Camphor and Allied Products

Camphor and Allied Products had produced 374.7 tonnes of camphor in the first four months of the current year compared to 337.4 tonnes in the same period last year. The production of some other products like isoborne oil, isobornyle acetate and capolyte resins was also higher during the period. The company marketed during the period 391 tonnes of camphor against 329.1 tonnes in the same period of 1977. The total turnover was higher at Rs 2.10 crores against Rs 1.83 crores. The company proposes to embark upon a project to manufacture menthol based on its own technology.

The chairman, Mr Jayant Dalal, however cautioned the shareholders at the annual meeting that this happy situation was likely to be reversed in the later part of the year, because through libersalisation of imports of camphor some 400 to 500 tonnes of camphor might be imported this year. This was bound to affect the company's working adversely. The company had already represented to the government to reconsider its decision in regard to the import of camphor, particularly in view of the fact that the indigenous installed capacity was in a position to meet the full demand of the market.

Bayer's Rights Issue

Bayer (India), which had sought the permission to issue 26,500 equity shares of Rs 100 each at a premium of Rs 100 each as rights shares to the Indian employees and Indian shareholders has been allowed by the Controller of Capital Issues to issue 9,000 shares of Rs 100 each at a premium of Rs 100 each to Indian employees with a limit of 20 shares per employee and with a stipulation that these shares will not be sold by them for two year, and the balance 17,500 shares to be sold to the Unit Trust of India. Those shares which are not taken up by the company's employees have also to be offered to the UTI. These shares are being issued to bring down the foreign shareholding from 52.73 per cent to 51 per cent in terms of the licence for expansion received by the company. This was announced by the chairman Mr B.M. Ghia, at the company's annual meeting in Bombay recently. The chairman explained that this was in accordance with the present government policy. Mr Ghia said sales in the first four months of the current year were higher at Rs 11.7 crores against Rs 9.1 crores in the same period of 1977. He said the company is expected to show still better results for 1978.

Drug Prices in India are among the lowest in the world!

It's a fact. A fact confirmed by the Tariff Commission, expert committees and official surveys and studies.

Drug prices have been under Government control for over 15 years. And since the last 7 years they are fixed as per a clearly-defined official pricing formula. One that fixes not only the prices of every bulk drug but also the price and profit margins of each and every finished product. On top of this, there is a control on the overall profit a company can make.

Three-Tier Control

Because of this three-tier control, no company can overcharge, or make exorbitant profit, or increase prices without the prior approval of the Government. Allegations of 'high' prices and 'excessive' profits are, therefore, irrelevant in the Indian context.

Low Purchasing Power

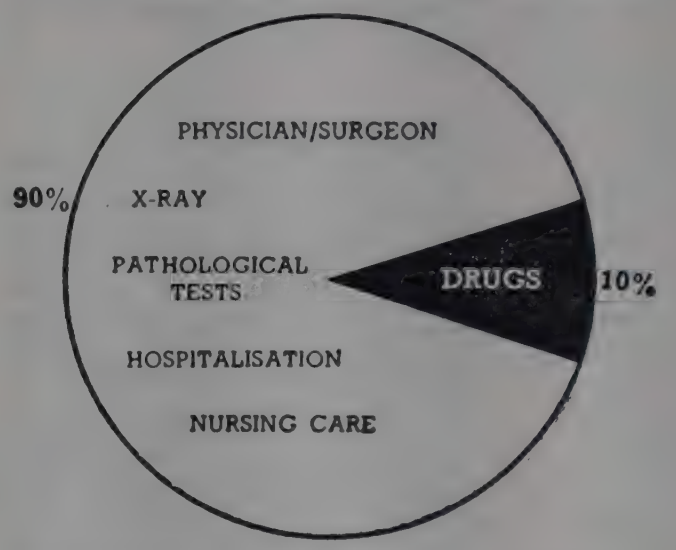
The prices of drugs in our country today are not high in an economic sense, that is, in relation to their cost of production. But, they are high in relation to the purchasing power of the people. Because the purchasing power of our people is low. Our per capita national income is a mere Rs. 365 per annum and, according to official statistics, as much as 40—60% of our people live below the poverty line. They can't afford even the more essential commodities such as food, clothing and shelter. Not because the prices of these articles are high but because the poor are too poor to be able to afford even these. It is the same story with medicines.

Medicines or Medicalcare?

But, then, medicines are not an end in themselves. They are only a means to an end—medical care—which involves the physician/surgeon, X-Ray, pathological tests, hospitalisation, nursing care, etc. Medicines are but one element in medical care and their cost represents only a small part of the total cost of medical care.

Throughout the world, expenditure on medicines is only a fraction of the cost of medical care—between 12—15%, in most countries. In our country, it is less than 10%. The same is the case with medical care in hospitals. According to a survey conducted by the Indian Institute of Public Opinion, New Delhi, the expenditure on medicines in hospitals was about 6% of the total money spent.

COMPONENTS OF MEDICAL CARE COST



Total Cost

Even if therefore drugs were supplied free, some people would still not be able to afford the medical care they need. For as much as 90% of its cost which has nothing to do with the cost of drugs, would be left uncovered and this would still be beyond the means of millions in our country.

These are facts. And they point to one fundamental conclusion: whether drugs are paid for by the individual, subsidised or given free they form but a small part of the total cost of medical care. And it is with the total cost of medical care that we must be concerned with, not only in relation to the individual, but also in relation to the community as a whole.

Issued for public information by:

ORGANISATION OF PHARMACEUTICAL PRODUCERS OF INDIA
Cook's Building, Dr. D. N. Road, Bombay 400 001

Chokshi committee report on direct tax laws

The interim report of the committee set up by the government to inquire into direct tax laws to help streamline their administration so that efficiency could be improved in the interest of the assessees as well as of revenue, was presented to parliamen last week. The summary of observations and recommendations contained in the interim report are given below.

CHARITABLE TRUSTS

The provisions relating to the sessment of charitable and reli-ous trusts are one of the most mplicated group of sections in the come-tax Act.

The provisions contained in the come-tax Act should have only ne underlying objective, *viz.*, to gulate the extent to which and the rcumstances in which tax conces-ons should be granted to charitable usts.

A uniform centrol law governing gistration of trusts, regulating their nd-raising activities, maintenance f accounts, application of income, vestment of trust funds, involve-ent of trusts in corporate affairs nsequent on holding of shares in mpanies and providing for machi-ery to deal with the abuse of trust roperty, etc., should be enacted s soon as possible.

The words "not involving the car-ying on of any activity for profit" ccurring in section 2(15) should be eleted.

The amendment to section 2(15) hould have retrospective effect from st April, 1962.

The provisions of section 13(1)(bb) hould also be made applicable to ne trusts with the fourth category bjects *i.e.*, trusts for the advance-ent of objects of general public ility other than relief of the poor, ducation and medical relief, with ffect from the 1st April, 1977, as n the case of trusts with the other hree categories of objects.

Section 11(4) should be deleted with effect from the 1st April, 1977 s it would be inconsistent with the cheme of tax exemption outlined above.

The provisions of section 13(1)(bb) should be further enlarged to permit usiness activity, mainly carried on by the beneficiaries even when the business itself is not carried on in the course of carrying out a primary purpose of the trust.

The law should provide for two different and totally independent computations, one for determining the assessable income, and the other for determining the amount that is to be applied for charitable purposes by the trust. The assessable income under the Income-tax Act should be computed strictly in accordance with the Act following the various provisions, taking into account even notional income and granting deductions specifically permitted under the Income-tax Act. On the other hand, the amount that is to be considered for the purpose of application to charitable objects should be the actual gross receipts of the trust less the expenses actually incurred in earning the Income ori in maintaining the trust property. In this computation, notional incomes or incomes not received, and notional allowances and deductions for amounts not actually expended, will both be left out of account. If the actual income so computed is equal to or less than the statutory income, *i.e.*, the income computed under the provisions of the Act, the trust should be required to apply either 75% of the statutory income or the whole of the actual income, whichever is less. However, where the income so worked out on actual basis exceeds the statutory income, it should suffice if the trust applies either 75% of the actual income or the whole of its statutory income, whichever is less. We also suggest that the relevant provisions should be suitably illustrated in the Act itself to make the concept clear.

The existing provision for relating the amounts applied in the immediately following year to the earlier year, at the option of the trust should be retained, subject to the modification that the Income-tax Officer may be empowered to extend the time for exercise of the option in deserving cases independently of the time available for filing the return of income.

While the capital gains arising to a charitable trust could be given the same treatment as in the case of any other taxpayer, insofar as the application of funds for charitable purposes is concerned, only the net sale proceeds received by the trust during a given year should be considered for application (which, under the existing law, includes re-investment) in that year. Further, re-investment may be permitted until the expiry of the next following accounting year of the trust.

Charitable trusts should be allowed to accumulate their income even for a general purpose falling within the overall objects of the trust. Consequently, the provision in section 11(3A), which empowers the Income-tax Officer to allow change of the purpose originally indicated for the accumulation, at the request of the trust, will be rendered superfluous, and may, therefore, be omitted.

The provisions relating to accumulation should continue to operate in relation to the income required to be applied for charitable purposes as recommended earlier.

Section 11(2) should be amended to empower the Commissioner to condone delays in giving the notice as also in making the investment or deposit under that section. The section may also specify: (a) The time within which the notice is to be given, which may (as at present, stipulated in Rule 17 of the Income-tax Rules) be "the time allowed under sub-section (1) of sub-section (2) of section 139, whether fixed originally or on extension, for furnishing the return of income" and (b) the time within which the amount accumulated or set apart is to be invested or deposited in the manner laid down in the section, which may be one year from the end of the relevant previous year (instead of six months at present stipulated in form 10).

There should be no objection to a trust making a donation from out of its corpus to the corpus of another trust. However, where a trust makes donations out of its income to another trust, while in the case of the donor trust these will continue to be treated as application of income, in the hands of the recipient trust, these should always be considered as normal income and any stipulation that the contributions are to the corpus of the recipient trust should be disregarded for the purposes of the tax exemption.

The provisions of section 12A should be amended to provide for an application for registration being entertained at any time before the completion of the first assessment of the trust. Where a trust has failed to register itself within the time limit, it should still be open to it to register itself prospectively at least for future years.

The provision in section 12A(b) may be amended to clarify that, where the accounts of the trust have been audited under the provisions in this behalf in any State law, such audit could be regarded as sufficient compliance with the requirements of that provision.

Insofar as the situations enunciated in section 13(2) are concerned, the provisions of that section should be treated as exhaustive and the law should make it clear that, unless the features spelt out in section 13(2) are present in any of those situations, the transaction will not be treated as use or application of the trust income or property for the benefit of the excluded persons, for the purposes of section 13(1)(c) so as to nullify the exemption in sections 11 & 12.

The provisions of seotion 13(2)(a)

should be suitably amended so as to make the intention clear that, in a case where a loan is advanced to a person referred to in section 13(3), it should be covered by adequate security and also ensure adequate rate of interest.

The provision in section 13(2)(h) should be amended to clarify that it excludes from its purview the assets originally settled on trust or donated to the corpus of the trust including in either case, accretion to such assets, by way of bonus shares.

As the restrictions in section 13(2)(h) would be excluded from operation in respect of investments forming the original corpus of the trust and donations to the corpus irrespective of the date of creation of the trust, the operation of section 13(2)(h) should be so excluded whether or not there is any mandatory direction in this regard in the trust deed.

The term "substantial contribution" should be defined to mean the aggregate contribution upto the end of the relevant previous year in a sum equivalent to 10% of the value of the trust assets as at the end of the previous year in which the contribution was made, or Rs. 5,000, whichever is higher.

The definition of "relative" in section 13 should be restored to the position existing prior to 1st April, 1973.

The provisions of section 13(1)(d) together with those of sections 13(5) & 13(6) should be deleted and, in their place, a general provision should be substituted giving the trustees freedom in the matter of investment subject to the restrictions under section 13(1)(c). Section 153B of the Companies Act may also be simultaneously amended suitably to vest voting rights in respect of all shares held by charitable trust in the public trustee.

While the state need not encourage the growth of communal and non-charitable institutions, there should be no objection whatsoever, for these institutions existing with whatever resources they are able to muster without being put to an additional disadvantage *vis-a-vis* other taxpayers under the Act. The law should, therefore, be amended suitably to stipulate that the deeming provisions of section 2(24)(iia) would not apply to a trust or institution referred to in section 13(1)(a) or (b).

DEPRECIATION

Depreciation under the Income-tax Act is not merely a provision for charging against taxable profits the capital expenditure incurred by an undertaking on depreciable assets over the useful life of the assets, but it is also aimed at working as a tax incentive measure affecting the cash flow of business enterprises and generation of internal resources for replacement of assets which have outlived their utility.

One of the recommendations of the Bhoothalingam Committee was to allow a taxpayer to write up his assets on a flat 20% basis and allow depreciation upto 120% of the cost of assets. Such artificial distortion of the concept of depreciation to serve the objective of providing funds for replacement of assets at the end of their useful life is not favoured.

The present provisions relating to depreciation and the elaborate Schedule of rates under the Income-tax Rules are highly complex and complicated.

The existing practice of allowing depreciation on the reducing balance method, which provides for accelerated depreciation by larger write-offs in the earlier years for assets in general, should continue. The exception in the case of ocean-going ships, where the straight-line method of depreciation has been adopted should also be retained.

The taxpayer should have the option in respect of the actual quantum of depreciation to be claimed against the profits from year to year subject, however, to a maximum rate specified in the law which will be applied to the written down value, except in the case of ocean-going ships where the existing pattern should continue. In this regard, the maximum rates of depreciation should be:

Building including roads culverts, bridges etc.	10%
Furniture and fixtures	20%
Plant and machinery	40%

The option given to the taxpayer should be limited to his choosing one single rate for all assets falling within a class, namely, building, furniture and fixtures and plant and machinery, and he should not be allowed to adopt different rates for different items falling within the same class.

A total latitude to the taxpayers, in the matter of choosing depreciation rates is not desirable as that might disturb the budgetary position of the Government.

The tax incentive which flows from the degree of latitude allowed in the matter of choice of depreciation rates should not be permitted to be frittered away by the taxpayer but should be retained within the business for further development. To ensure this, depreciation under section 32 should be allowed in the manner indicated above only where the quantum of depreciation claimed for income-tax purposes is actually debited to the profit and loss account of the relevant previous year.

Full write-off (*i.e.* depreciation at 100%) should be allowed in the case of all assets where the actual cost of any asset does not exceed Rs. 10,000. In the case of those taxpayers who avail of the option to vary their claim for depreciation to suit the performance of their business from year to year, such depreciation should also be debited to the profit and loss account of the taxpayer of the relevant previous year in which the taxpayer chooses to claim such depreciation, while in other cases it will be allowed in the year in which the assets are brought into use for the purposes of the business.

In cases where no books of account are maintained, depreciation should be allowed at the uniform rate of 10% on buildings and 20% on plant and machinery and furniture and fixtures, on the reducing balance method.

The basic concept of depreciation as a charge in determining the true and fair profits under the Companies Act should not be disturbed. The quantum of such depreciation should be left to the opinion of the directors under the provisions of the Companies Act. In cases where companies choose to make a higher claim in Income-tax law, the additional amount should also be debited in the profit and loss account "below the line" (that is to say in the appropriation section of the profit and loss account) and such amount should be credited to a depreciation reserve. The Income-tax Act should provide that such reserve should not be utilised for purposes of declaration of dividends.

If a company desires a nil allowance in income-tax, it should not charge the profit and loss account of that year but should disclose such arrears of depreciation by way of a note on the accounts, as permitted by the Companies Act.

The Government may, therefore consider consequential amendment to the provisions of the Companies Act so as not to result in any inconsistency with the scheme for allowance of depreciation under the Income-tax Act as recommended above. The distinction between the charge of adequate amount of depreciation and the additional amount which may be claimed at the taxpayers' option (as a measure of incentive and simplification under the Incomet-ax law) should be clearly maintained for all purposes. It would then not result in any inconsistency with other questions such as payment of dividend, bonus, managerial remuneration and provisions relating to capital issues, etc.

In dealing with business concerns as going concerns not operating with a view to liquidation, calculation of depreciation separately for each item of asset is unnecessary. At every stage of addition of new assets, the cost of the new assets should be aggregated with the written down value of the existing block and depreciation alloswed on such consolidated block.

With a view to obvitating meticulous calculations, the entire sale proceeds (or scrap sales, insurance or salvage monies realised) of assets which are sold, discarded, demolished, or destroyed should be reduced from the written down value of the asset block and that, if at any stage, the realisations exceed the written down value of the block, the excess should be taxed as profit. As the entire block of assets whether they be (a) furniture and fixtures, or (b) buildings, or (c) plant and machinery, will continue to be depreciated until ultimately, brought down to zero, there should be no deduction by way of a terminal allowance under section 32(1)(iii) at any intermediate stage.) The grant of terminal allowance should only arise with reference to the shortfall when the entire block of assets is sold on the closure of the business or the closure of a distinct and separate part thereof.

The provisions for extra-shift allowance in respect of machinery and plant used in factories (general or seasonal) and approved hotels should be discontinued.

The existing provisions for carry forward of unabsorbed depreciation should continue.) The benefit

f carry forward and set off of unbsorbed depreciation should be llowed whether or not the asset n question continues to be used for he purposes of the business in the ucceeding accounting years.

On the analogy of the provisions f section 54D, a provision should e made to secure that, where depreiable assets, of a business are taken ver by the Government or any tatutory authority, no profit will e taxed under section 41(2) if the axpayer reinvests the sale proceeds f compensation moneys in the cquisition of other depreciable ssets for any business within a period of three years from the date f acquisition.

The law should be clarified to provide that no depreciation under section 32 shall be allowable in respect of capital expenditure for scientific research qualifying for deduction under section 35.

The following items of expenditure, in particular, should also be eligible for amortisation against profits of a business over a ten-year period for tax purposes :—

(1) Pre-operative expenses on administration and accounts departments and such other expenditure which does not directly relate to erection or acquisition of assets.

(2) Expenses on shifting of a factory.

(3) Payment for acquisition of intangible assets for which there is no other provision for amortisation.

(4) Expenses on construction of railway sidings and roads on land not belonging to the taxpayer.

As some of these items are not necessarily "preliminary" in character, but would be incurrred in a running business, it would be necessary to enlarge the scope of section 35D to cover these items as well.

Any instance of business expenditure which results in disallowance as revenue expenditure and non-allowance of depreciation, should be promptly notified under section 35D(2)(d) as and when the attention of the Government is drawn thereto.

The limitation on the totality of preliminary expenditure now appearing under sub-section (3) of section 35D should be removed.

The following simple formula should be prescribed for amortisation of expenditure on production of feature films in place o the complicated procedure laid down in rule 9A of the Income-tax Rules :

(*a*) If the film is released 90 days prior to the close of the accounting year in which the production is completed, the entire cost of production should be allowed as a deduction in the relevant previous year.

(*b*) If the film is released at any time within the period of the aforesaid 90 days prior to the expiry of the accounting year, 60% of the cost of production should be allowed in that accounting year and the remaining 40% in the immediately succeeding accounting year.

As the rupee is now de-linked from the sterling and the foreign exchange value of the rupee fluctuates from time to time as computed with reference to a "basket" of currencies, the provisions of section 43A have become quite cumbersome and difficult to apply. The law should be amended to secure that the actual cost of assets acquired on deferred payment terms, etc., from abroad is taken as originally computed with reference to the exchange rates prevailing on the date of acquisition of the same. Thereafter, any gain or loss occasioned to the taxpayer at the point of actual remittance of instalment of purchase price or loan, as the case may be, should be treated as a revenue gain or loss of the business and the actual cost of the assets should not be disturbed. As regards cases where the actual cost has already been adjusted under the existing provisions of section 43A, the gain or loss would be calculated with reference to such adjusted actual cost. In other words, as from the time the aforesaid suggestion is in force, no further adjustment should be made under section 43A.

In the case of assets acquired under hire-purchase agreements, the purchaser should be entitled to claim the depreciation in his assessment provided that, as between the purchaser and the vendor, it is agreed that the purchaser alone shall be entitled to claim depreciation in respect of the same asset. The administrative instructions under which this is presently being secured should preferably be incorporated in the law itself.

AMALGAMATION OF INDUSTRIAL UNITS UNDER SECTION 72A

Section 72A permits the carry forward and set off of the accumulated business losses and the unabsorbed depreciation of the amalgamating company (which is a sick industrial unit not financially viable) against the income of the amalgamated company in the following years. The provisions as they stand are likely to give rise to certain practical difficulties in actual implementation and unless these difficulties are removed, the amalgamations aimed at may not take place to the extent desired by the Government.

Under this section as it stands, it appears that the amalgamation has to be effected first and thereafter the "specified authority" has to be moved for the purpose of making a recommendation to the Central Government. In the guidelines recently issued by the Government, it is indicated that an application for approval of the scheme of amalgamation may be made to the "specified authority" even before such amalgamation has actually taken place and that the "specified authority" may indicate to the amalgamated and amalgamating companies that, in the event of the amalgamation being finally effected on the basis of the scheme presented to and approved by the "specified authority", it would make a formal recommendation to the Government for making a declaration under section 72A(1). While this assurance is indeed welcome, in the fitness of things, the substance of the assurance should be incorporated in the law by a specific provision to permit an application to the Central Government by the concerned company with a scheme of amalgamation for consideration as to whether the terms of the proposed amalgamation as set forth in the scheme are such as to meet the requirements of the section. Once the application is approved, then the companies concerned can go ahead with the scheme and obtain the Court's approval to the same and implement it accordingly. Natural justice requires that the Central Government should give an opportunity to the companies concerned to explain the scheme and, if there are any objectionable features, the companies should be allowed modify the scheme suitably so th it meets with approval.

The declaration to be issued und section 72A should clearly speci the previous year of the amalgama ed company in which the accumula ed loss and unabsorbed depreci tion of the amalgamating compar shall be deemed to be the loss ar depreciation of the amalgamate company so as to eliminate contr versies arising from the time la in the completion of formalities a to the date on which the amalgama tion may be considered as effective.

When a scheme is submitted t the Central Government under th above mentioned procedure, th Central Government should examin it only with reference to the condi tions spelt out in the section itsel and any other conditions which may already have been notified pursuan thereto. In other words, further notifications which may be issued by the Central Government should only apply prospectively to schemes of amalgamation which may be submitted for approval after the date of issue of the notification.

There is, at present, unnecessary duplication of proceedings, one before the "specified authority" and the other before the Central Government; the former to make the recommendation and the latter to issue the declaration. These should be coalesced. The section should provide for a declaration being issued by the Central Government (or in the alternative, by the "specified authority") on an application by the amalgamated company as a single proceeding.

The section should be amended to provide for the laying down of conditions by the approving authority (Central Government or the "specified authority") upon which the scheme of amalgamation is approved under sub-section (1). These conditions may relate, among other hings to:

(*a*) Employment of workers.
(*b*) Use of productive capacity.
(*c*) Finance to be raised.

The actual allowance would then be subject to the fulfilment of these conditions by the amalgamated company and the satisfaction of the assessing authorities at the time of assessment in the matter of such fulfilment. No further approval of the Central Government (or "specified authority") should be necessary. Thus, if the conditions

s laid down by the approving uthority in according approva! nder sub-section (1) are complied ith, the set off and carry forward f accumulated losses and unabsorb- f depreciation should follow as a natter of course. If, however, the ssessing authority finds a breach f the conditions, such set off and arry forward would lapse as from ne year of infringement of the con- itions. As this would be a decision y the assessing authorities, it would utomatically be subject to the nor- al appellate proceedings under the ct.

AXATION OF CASUAL INCOME

The present scheme of taxation of asual income is unduly complex nd provides a fertile field for mis- akes in assessments and causes eedless confusion in the minds of he taxpayers. In its well-meant ttempt to bring into the tax net ll items of income which are of asual and non-recurring nature and o make them bear the full brunt f tax with a concessioaal tax treat- nent only to lottery winnings in the ase of non-corporate taxpayers, he Government seems to have failed o achieve the intended objective.

Collections from the sources men- oned in sub-clause (ix) of clause 24) of section 2 are a little over Rs. 1 rore only. Jackpot payments all ver the country alone are estimated o run into several crores of rupees. o devise some procedures for gett- ng some tax at least from such innings, section 194B should be nlarged to encompass in its fold all ne items appearing in sub-clause x) of clause (24) of section 2 where ne payer is an organised body.

To ensure that taxpayers, as far as ossible, obtain their winnings from arious recognised sources such as ace clubs and other social clubs, ection 80TT should be amended to nclude, in addition to lottery winn- ngs, all the other items which are entioned in sub-clause (ix) of clause 24) of section 2. All these items hould be treated in the same way s lotteries by deducting 50% of ne amount in computing the total ncome, with the difference that, in espect of these additional items, ne initial deduction should be limit- d to what is allowable under section 0(3), *viz*, Rs. 1,000. In the case of ompanies havingany suchi ncome, ne position under the present law ay continue, with the modifica- tion that the provisions for deduc- tion of tax at source under section 194B, modified as suggested above, should apply also to payments of casual income made to companies.

ADDITIONAL INCOME,TAX ON UNDISTRIBUTED PROFITS

The scheme for levy of additional tax under section 104 has to be consi- dered in the light of the totality of the tax incidence on companies. At present, closely-held companies are already subjected to higher rates of tax than widely-held companies.

The question of declaration of dividends and adequacy of dividends has to be considered objectively, judged by business considerations. Reasonable requirements of the future have also to be considered, apart from the financial position of the company, etc. In the face of such widespread considerations of busi- ness exigency, it is very difficult to sustain assessments of additional tax under section 104 in a large majority of cases.

Considerable emphasis is currently being placed on the need for restraint in dividend distibutions with a view to encouraging plough back of resources for development.

The provisions relating to "deem- ed" dividends, under section 2(22), are an effective check on the use of companies resources for private purposes. Apart from this, there is already a provision for levy of wealth-tax on shares, levy of capital gains tax on transfer of shares and levy of gift tax or estate duty on transmission of shares *inter vivos* or on death.

The trend of company legislation in recent years has been to ensure at least a minimum plough back of profits and further to restrict the withdrawals from reserves for pay- ment of dividend under section 205(2A) and section 205A of the Companies Act, 1956.

The latest provision exempting closely-held industrial companies from the ambit of section 104 is a step in the right direction. There is likewise justification for excluding the other categories of companies as well, inasmuch as trading com- panies and service companies do contribute to economic growth and employment and supplement the role of industrial companies in this regard. The provisions of sections 104 to 109 should be applicable only in the case of closely-held in- vestment companies, while other closely-held companies should be excluded from their purview.

Investment companies should continue to be subjected to the res- trictions under these sections as these companies enjoy a conces- sional tax treatment in relation to their main source of income, namely, dividend income. Again investment companies are capable of, and are, being used as a medium, for holding investments and for acquiring further investments as a means of gaining share-holding control. Non-compulsion in the matter of distribution of dividends in such cases is likely to contribute to concentration of economic power, which needs to be checked.

ASSESSMENT PROCEDURE

Mounting arrears of work has plauged the Income-tax Depart- ment for many years. The various procedures experimented with by the Department have not helped to solve this problem.

The problem faced by the Depart- ment is one of extreme strain on its man-power and other physical re- sources. The system of planning man-power requirements to match the work-load overlooks the fact that, whereas work multiplies with- out notice, man-power cannot be multiplied instantaneously to keep pace with workload. Planning to fit work-load to man-power seems to be the only answer to the problems confronting the Department.

The Department must so gear it- self that, by deploying its entire work-force, it would be in a position to check whether the returns are complete and payments adequate, within a period of 3 months from the receipt of the returns. To faci- litate this, the particulars to be submitted with the return should be clearly indicated in a manner easily intelligible to the taxpayer. At the same time the particulars shou d be such that a rapid scrutiny would reveal compliance by the tapayer and instances of non-compliance would be readily discernible. In particular, the return should con- tain:

(*i*) Statements showing compu- tation of income under each head separately, disclosing all allowances and deductions claimed;

(*ii*) Statement showing compu- tation of the tax payable, along with claims for credit for tax deducted at source advance tax paid and self- assessment tax paid, support- ed by the relevant certi- ficates and receipted challans;

(*iii*) Attested copies of trading and profit and loss account or income and expenditure ac- count, balancesheet, part- ners'/proprietors' capital ac- counts, etc.; and

(*iv*) Compulsory deposit receipts.

The taxpayer should be cau- tioned in regard to the following matters:—

(*a*) If the return is not complete in all respects, it is liable to be treated as an invalid return, with the consequence that the taxpayer will be regarded as being in default for the pur- poses of interest, penalty and prosecution, as if there is failure on his part to file the return.

(*b*) Although the assessment may, in the first instance, be completed under section 143(1) the taxpayer will become liable to penalty and prosecution in case the computation of income and deductions is found to be inaccurate and/or any escaped income is brought to assessment.

With a view to encouraging the filing of complete returns, there should be a specific legal provision according to which incomplete re- turns will be treated as invalid ones, attracting consequential interest for delayed submission, to be calculat- ed till the date of filing a correct and valid return. Wherever it is observed that the return is incomplete in any respect, a standard form of notice should be sent to the taxpayer direct- ing him to supply all the relevant missing particulars so as to enable the return to be treated as duly filed. The return itself need not be sent back to the taxpayer except in cases where some error of commission or omission therein requires to be rectified by him.

Notices under section 139(2) need not be issued to taxpayers already on the registers of the Department. Such notices need be issued only to new taxpayers discovered in the course of searches or survey opera- tions, or persons who have failed to file returns within the time limit.

The law may be amended whereby an assessment is deemed to be comp-

ted on the sending of an acknowdgement attached to the return self as a tear-off slip.

Returns where any unusual features ke partition of H.U.F., cessation f business, dissolution of a firm, tc., are noticed during rapid scruny should be referred to the Comissioner for directions for inclusion n the scrutiny group. Taking into ccount the man-power available he Central Board of Direct Taxes hould issue an annual programme aying down the criteria for election of cases for scrutiny. The ases selected for scrutiny should cover the following types of cases :

(*i*) All company cases.

(*ii*) Sensitive cases, *e.g.*, tax evasion cases.

(*iii*) A certain proportion of other cases picked up by random sampling, depending on the man power available.

Belated returns should be left to the discretion of the Commissioner to decide on merits whether the circumstances justify the case being taken up for scrutiny.

In any scheme of voluntary compliance it should be for the taxpayer to buy time and the cost is to be metered right from the date on which the return is due upto the date of filing the return. While the rate of determining the cost may be retained at 12 per eent per annum, it should be applied to the gross tax on the total income as determined on regular assessment, that is to say, the tax without deduction of advance tax and taxes deducted at source. The taxpayer should be required to calculate this additional sum for each completed month of default on the basis of his return and pay it before filing the return, failing which the Income-tax Officer also should be empowered to calculate the amount at the time of the regular assesment.

The provision in section 140A(3) for levy of penalty for non-payment of self-assessment tax should be deleted.

In the event of delay beyond a period of 90 days from the due date, the penal provisions should come into play. In such cases, if the default persists, the Income-tax Officer should also complete the proceedings on a best judgement assessment basis even before the end of the assessment year concerned.

The provision for levy of a cost for delayed filing of returns would not be a sufficient deterrent in cases where no tax is payable at all as, for example, returns showing a loss, returns of trusts, etc. In such cases, the law should provide for an outside time limit to coincide with the end of the assessment year and secure that any such return received after the end of the assessment year will not be treated as a valid return. Claims for refund of tax deducted at source will, however, continue to be entertained upto 2 years from the end of the assessment year, as under the present law.

There need be no apprehension that, by accepting returns, substantial revenue will be lost, as the bulk of the taxes is collected before the assessment by way of tax deducted at source, advance tax and self-assessment tax.

Income-tax Officers have not been able to pay adequate attention to search and seizure cases, which are all sensitive cases, where considerable revenue is likely to be involved. The Department has all the talent needed to effectively administer the tax laws. The problem is one of overwhelming workload. No Income-tax Officer has been able to give undivided attention to cases of fraud, evasion, etc. Completion of assessments on the basis of the returns on the lines suggested above will free the Income-tax Officer to carry out scrutiny in depth in such cases.

Concentration of complicated and tax-evasion cases in Central Circles has not resulted in any significant success in handling such cases. Central Circles should be abolished. Instead, each Commissioner should have an investigation unit within his own charge for handling cases requiring intensive investigation. Officers posted to these circles must have adequate experience in investigation work and should be allowed special pay. It would even be desirable to entrust investigation cases to two Income-tax Officers exercising jurisdiction concurrently under the close supervision of an Inspecting Assistant Commissioner. Reasonable disposal targets should be fixed for such investigation work allowing adequate time for scrutiny in depth. Each Commissioner may also have his own intelligence unit which would work in close liaison wtih the Central Intelligence Units organised on an all-India basis.

Section 146(2) should be amended to provide that, if the Income-tax Officer fails to dispose of the application within the specified period of 90 days, the assessment shall be deemed to have been cance ed and proceedings reopened.

Under the scheme snggested above an Income-tax Officer will have only 200 scrutiny assessments to handle in a year, and would be in a position to pay adequate attention to them. This would ensure a sufficient y intensive scrutiny and qua ity of assessment leading to reduction of appeals and better taxpayer compliance. Better administration of the laws in relation assessment procedures will also have a benficial effect on the problem of arrears of taxes. The measures outlined by us will also reduce the public contact in a large majority of cases. This would necessarily have a beneficial effect in reducing the opportunities for corruption. The completion of the major portion of assessments virtualiy by acceptance of the returns would also reduce the areas of iligation between the taxpayers and the Department. The energies of the taxpayers would also be conserved and directed towards productive channels with consequential beneficial effects on the national income and the tax revenues of the Government.

The beneficial results of the scheme can be enhanced by the personal involvement of the higher authorities like the Commissioner of Income tax and the Inspecting Assistant Commissioner, and a dynamic approach towards its implementation. They should also inspite confidence in the Officers at lower levels and assure them that there will be no general suspicion of, or reflection on an officer, where loss of revenue may have been occasioned through *bona fide* operation of the scheme.

REGISTRATION OF FIRMS

Registration of partnership firms for purposes of taxation is one of the most controversial areas in the administration of the Income-tax Act. This has generated an encormous amount of litigation but there are very few cases in which refusal of the registration on the ground of non-genuineness has been sustained by Courts. Simplification of these procedures is an urgent necessity.

The work relating to registration of firms should be centralised with the Commissioners of Income-tax, instead of leaving it with the various Income-tax Officers as at present. For this purpose, every firm should be required to make an applicatic to the Commissioner before the en of the accounting year.

Full particulars of representativ capacity of partners, if any, should b declared in the application for r gistration of the firm with the Com missioner.

As at present, the applicatio should be signed by all the partne and should be accompanied by th original instrument of partnershi along with a certified copy thereof o in the alternative, two certified copie of the Deed. In the latter case the original should be produced be fore the Commissioner, if and when called for. Particulars of the permanent account numbers of the partners and the Income-tax Circle/Ward where each of the partner is assessed should also be disclosed.

The Commissioner will record the receipt of the applications in a register and intimate such registration to the firm and the Income-tax Officer within 30 days of the lodgement of the application. Whereas an application is complete and lodged with the Commissioner, registration of the firm should be automatic.

In subsequent years, so long as the consiitution of the firm continues without change, all that this necessary will be a declaration to that effect to be furnished as a part of the return of income which should contain a provision for such declaration.

In cases where there is a change in the constitution of the firm, the firm will have to file a fresh application to the Commissioner and a fresh entry of registration would be made by the Commissioner. Likewise, when a firm is dissolved, intimation should be given to the Commissioner to enable him to make appropriate entries in the register.

A firm, which is registered with the Commissioner in accordance with the above procedure, will be assessed in the status of a registered firm. The income of the firm would be apportioned amongst the partners in accordance with their profit-sharing proportions and taxed directly in the hands of the partners. In a case where a partner is in a representative capacity, the income in question would be taxed in the hands of the beneficial owner.

In the case of an unregistered firm, tax should be levied at a single stage on the firm itself and the scheme of further including the share of a partner in the firm in his personal assess-

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ent (even for rate purposes) should e discontinued.

To encourage firms to seek registation, unregistered firms should e required to pay tax at a flat rate f 65% (which is the rate presently nacted under section 164 in the case f discretionary trusts). No separate ower need be vested in the Income-ax Officer to assess the unregistered irm as a registered firm as presently rovided in section 183(b).

In the case of the smaller firms, *i.e.*, irms having incomes below Rs 25,000, he Commissioner shall condone deays and technical lapses and afford ull opportunity to such firms to comply with the registration formaities. In other cases, the Commissioner may condone the lapse if he is satisfied that the delay was due to just and reasonable cause. The powers of the Commissioner in this regard should be comprehensive and cover all forms of non-compliance including non-existence of a deed of partnership within the accounting year.

The procedure for assessing a firm as unregistered should be such that the Income-tax Officer cannot, on his own, accord the status of unregistered firm and he can only do so on the basis of a direction from the Commissioner. As an additional safeguard, the order of the Commissioner should be appealable to the Appellate Tribunal and the firm should not be entitled to agitate the question of status as an unregistered firm before the Appellate Assistant Commissioner.

Where registration accorded to a firm is subsequently cancelled in relation to any assessment year, consequential provision would be necessary to ensure that the partners' assessments are appropriately rectified as if there were mistakes apparent from record in respect of the shares of income from the firm assessed in their hands.

Double taxation of the same income may be justified where the taxable entities are legally and factually distinct from one another. This is not the case with firms and their partners. The present system is also regressive in the sense that the impact of double taxation is more acute in the case of a partner having a smaller share and income than in the case of a partner with a larger share and income. The separate tax on a registered firm cannot be justified on any consideration of justice or fairness or sound principle of taxation and its only justification may be that it yields some revenue. But this yield is largely illusory because if the tax were to be discontinued a good portion of it will come back to the exchequer by way of increased tax on the partners. The separate tax on registered firms should, therefore, be altogether discontinued.

The law should provide for an obligation on registered firms to file returns of income as in the absence of a direct tax liability, there may be no abligation to file a return.

ADVANCE TAX

Advance payment of tax is another are where the principle of voluntary compliance can be usefully extended. The present procedures involve considerable outlay of clerical labour and time and there is scope for introducing labour saving procedures in this field without adversely affecting the revenue.

The system of issuing advance tax notices be discontinued and the law amended to provide that every taxpayer liable to pay advance tax should furnish an estimate of the advance tax payable by him on the basis of the last assessment completed in his case or the return filed by him for a later year, before the date of the first instalment and pay the same in 3 equal instalments. The Income-tax Officer may, however, continue to have the power to issue a notice for advance payment of tax to any taxpayer who does not comply voluntarily with this requirement by the due date of the first instalment.

Advance tax should be uniformly payable on 15th September, 15th December and 15th March by all liable taxpayers.

To obviate difficulties and to impart some flexibility to the system the Board should issue a general direction, under the provisions to section 119(2)(a), that delays in payment of any instalment of advance tax for any period not exceeding 10 days should be condoned and the payment treated as having been made on the due date of that instalment in cases where the Income-tax Officer is satisfied that the delay was attributable to reasonable cause or circumstances beyond the control of the taxpayer.

The provisions relating to deferment of advance tax on commission not received or adjusted may be delected.

The right of the taxpayer to furnish a lower estimate on the basis of his estimated current income should remain in the statute.

The provisions requiring taxpayers to revise upwards the advance tax payable when the tax payable on the basis of ther estimated current income exceeds the advance tax payable on the basis of past income by more than 33⅓ per cent of the latter amount should be deleted.

The minimum income limit for liability to pay advance tax in all cases other than companies and registered firms should be Rs. 5,000 above the minimnm taxable limit.

The provisions relating to grant of interest on excess payments of advance tax should be retained.

The charge of interest on short paymens of advance tax should terminate on the date a valid and proper return of income is filed and should be computed with reference to the tax payable on the basis of such return. Such interest should be chargeable only where the advance tax actually paid falls short of 75 per cent of the tax payable on the basis of the return of income.

While there should be no charge of interest with reference to instalments paid on the basis of the last completed assessment ot the latest return, interest at the rate of 1 per cent per month should be charged on the shortfall in any instalment paid on the basis of the taxpayer's own estimate computed with reference to on-third of the tax payable on the basis of return, from the due date for payment of that instalment upto the date the return is filed. Interest should similarly be chargeable when any instalment of advance tax is not paid on the due date.

Estimates should be deemed to be invalid, if appropriate payment of advance tax on due dates is not made.

The provisions relating to self-assessment should be suitably amended to require taxpayers to work out and pay voluntarily the interest due on shortfalls in the payment of advance tax along with the self-assesment tax.

The taxpayer should be made liable to peanlty when he has failed to make payment of advance tax which is due or when the advance tax, actually paid on the basis of his estimate falls short of 75 per cent of the tax payable on the basis of the return of income.

As there will be no need to levy penalty under section 221 or to recover advance tax by coercive process undere the scheme suggested above except where a notice has been issued by the Income-tax Officer the provisions of section 218 be modified suitably.

To provide a safeguard to the revenue against under-estimates of advance tax followed by under statement of income in the return interest at the rate of 1 per cent per month should be charged on the difference between the tax eventually assessed and the tax payable on the basis of the return from the date of filing the return utpo the date of completion of the assessment made after due scrutiny. To avoid frequent recalculation of interest every time the income is modified in appeal etc, the Income-tax Officer may be authorised to revise the interest where necessary, while giving effect to the last appellate, etc. order.

The conditions for reduction or waiver of interest payable by the taxpayer as contained in Rule 40 should continue to apply in alll cases of levy of interest.

To save hardship when an amalgamation takes effect retrospectively on account of the time taken for obtaining the Court's sanction to the scheme, the law may be clarified to deem the payment of advance tax by an amalgamating company in respect of the income of the period falling after the date of arnalgamation included in the assessment of the amalgamated company, as payment of advance tax by the amalgamated company in respect of such income.

SETTLEMENT OF CASES

The existing provisions in the Act relating to 'Settlement of Cases' need some modifications in order to make them more effective and meaningful as well as to facilitate the smooth functioning of the Settlement Commission. While the Settlement Commission should not become an escape route for tax evaders who are caught by the Department, the doors for taxpayers who realise and admit their past mistakes of omission and commission and want to adopt the path of rectitude should not be closed.

The definition of "Case" in section 245A(a) should be suitably amended to include (1) cases where no proceedings relating to assessment or re-assessment are pending on the date of the application but the

taxpayer wishes to settle his past evaded or avoided taxes which have escaped the notice of the Department, and (2) cases where no proceedings were commenced by the Department, *viz.*, cases of taxpayers who hitherto have escaped the notice of the Department.

The provisions of section 245B(2) may suitably be modified to enable the Commission to function with even less than its full strength.

The objection by the Commissioner uuder the second proviso to section 245D(1) should be subject to review by the Commission.

The Government should examine the desirability of vesting powers in the Settlement Commission to compound the tax liability in the cases which are settled by it.

The authority for writing off, wholly or in part, any part of the Government revenues can be exercised only by the Government as such or by any of its subordinate authorities to whom the power is delegated and such write off is open to Parliamentary scrutiny. The Settlement Commission is a quasi-judicial body and is to act within the provisions of the Income-tax Act. If it were given such powers of write off, it would thus lay itself open to Parliamentary scrutiny which would detract from its quasi-judicial status. It may not, therefore, be desirable to give the Settlement Commission the powers of write off or scaling down the tax liability of a taxpayer generally.

The Commission may be specifically given the power to make rules regarding its functioning.

The existing provisions of section 245F may be suitably modified to expressly provide delegation of power by the Settlement Commission to its subordinate officers.

Section 245F be suitably modified to enable the Commission to return a case to the Department after it has been admitted, if there is non-co-operation by the applicant. The Commission should remit a case only after giving the applicant an opportunity of being heard.

The law should vest power in the Settlement Commission to grant immunity from penalty under other Central Acts also but a proviso should be added that such immunity may be granted only after due consultation with the appropriate authorities under the concerned Acts.

The rigours of the provisions in section 245M may be mitigated by providing that, with the concurrence of the Commissioner of Income-tax, a case could be taken up by the Settlement Commission where an Income-tax Officer has filed an appeal before the Income-tax Appellate Tribunal under section 253(2) of the Income-tax Act.

Suitable modification needs to be made in section 155 of the Income-tax Act to facilitate rectification of assessments in partners' cases or in the case of members of an association of persons, where settlements have been effected in the case of the firm or association of persons, as the case may be.

The Chairman of the Settlement Commission should be of the status of the Secretary to the Government of India. The tenure of office of the Chairman and the members should be five years or till attaining the age of 65 years, whichever is earlier.

The provisions for settlement of cases under the Wealth-tax Act, incorporated in Chapter V-A of of that Act should also be amended on the same lines as indicated above.

APPEALS AND REVISION

In our country, tax litigation has been proliferating in an alarming measure in recent years. Not merely is there too much of litigation, but the delays in the administration of such litigation is equally disheartening.

This problem can be tackled by ensuring that the area of litigation is minimised and, at the same time, by ensuring that whatever litigation is inevitable, the same will be disposed of as expeditiously as possible.

The measures should be aimed at:

(*a*) Avoiding litigation:
(*b*) Reducing litigation;
(*c*) Simplifying and rationalising the existing provisions and accelerating disposal of appeals, references and connected matters.

A. Measures to avoid litigation

There should be a specific provision in the Income-tax Act and other direct tax laws, enabling the Central Board of Direct Taxes to give advance rulings at the request of taxpayers on specific issues, not being purely issues of fact, on payment of the prescribed fees.

A taxpayer should be entitled to seek an advance ruling both with reference to facts already obtaining in his case for a past year or with reference to a proposed transaction which he intends to enter into. A reference in the former types of cases may be made at any time before the completion of the assessment for the relevant year or, where the assessment has already been completed and the matter is pending in appeal provided he withdraws the appeal on that point. The Board may give a ruling on such a reference or even decline to give any such ruling. In the latter event, the fees should be refunded and the appeal, if withdrawn, shall be revived. The ruling given by the Board should be binding on the income-tax authorities. However, it should be open to the taxpayer to take the matter by way of appeal to the Delhi High Court, with a further right of appeal to the Supreme Court by either party.

Where the point referred to the Board relates to a proposed transaction while the Board's ruling will be binding on the Departmental authorities, the taxpayer will be free to put through the transaction in such form as he deems fit, but he will not have the right of appeal to the Delhi High Court against the Board's ruling.

A provision may be introduced in the law enabling the Board to approach the Supreme Court and seek its advice even at an earlier stage before any litigation has arisen.

To avoid public funds being frittered away in futile litigation, disputes between public sector undertakings or Government companies and the Income-tax Department should, instead of being taken in appeals, etc., be resolved by the Central Board of Direct Taxes by discussion with the Administrative Ministry of the Central Government or the local Government concerned with the undertaking or Company and, where necessary, in consultation with the Ministry of Law.

B. Measures to reduce litigation

Where a taxpayer claims before the assessing authority or any of the appellate authorities, that, on any issue arising in his case, an appeal or a reference is pending before any higher authority, including a High Court or the Supreme Court, in his own case for an earlier year or in the case of any other taxpayer for any year, and gives an undertaking that he would abide in respect of his own case, by the decision of the high authority or the High Court or th Supreme Court, as the case may b as governs such pending appeal reference, then, the law should pr vide that the taxpayer's case shou be disposed of in conformity wi such decision, as and when it b comes available, without his havi to agitate the matter by way of fu ther appeals or references. If th assessment is completed taking a vie adverse to the taxpayer, the sam should be suitably modified by th (appropriate authority) when th final decision becomes availabl as if it were a mistake apparent fro the record in the taxpayers ow case for the relevant year and suc modification should be made withi four years from the date of suc final decision.

Further, wheret he Supreme Cun decides a point o f law in any cas it should be open to any taxpaye to claim before the appropriat authorities the benefit of that de cision in his own case for any pas year for which the assessment ha attained finality even though he migh not have kept the matter alive by wa of appeal or reference or by way o a claim on the lincs suggested in th preceding paragraph. Equally, i should be open to the Departmen also to revise any completed assess ment in the case of an y taxpayer i the light of the Supreme Court' judgment in an y other case, if this i necessary in the interest of revenue In either case, such action by the tax payer or the Department shoul d b permissible within a period not ex ceeding one year from the pronounce ment of the Supreme Court's judg ment

C. Measures to simplify and ratio nalise the existing provision and ac celerated disposal of appeals, etc.

(i) *Proceedings before Appellat Assistant Commissioner/Commissione (Appeals)*

To avoid controversies and als simplify the provisions, instead o enumerating the various orders o the Income-tax Officer agains which an appeal lies to the Appellat Assistant Commissioner or, as th case may be, the Commissione (Appeals), in section 246 of the In come-tax Act, there should be general provision to the effect tha every final order (*i.e.*, an order whic is not in the nature of an adminis trative order or an interlocuto

rder) of the Income-tax Officer ill be appealable to the Appellate ssistant Commissioner or the Commissioner (Appeals), as the case ay be. Insofar as the Commissioner Appeals) is concerned, the law hould specify a monetary limit o as to demarcate his jurisdiction rom that of the Appellate Assistant Commissioner. In addition, his urisdiction may also be demarcated in terms of a class of orders, more or less on the lines of the existing provisions in section 246.

To avoid the controversy as to whether a taxpayer is entitled to urge before the appellate authorities a ground which he had not raised before the lower authorities, the condition that the taxpayer should be "Aggrieved" appearing a in section 246 should be omitted.

Specific right of appeal to the Appellate Assistant Commissioner should be provided against the Income-tax Officer's failure to pass an order on the taxpayer's application for rectification or relief within a period of six months of such application.

With a view to obviating delays in disposal of appeals finally, the powers of the Appellate Assistant Commissioner/Commissioner (Appeals) to set aside or remand a case should be taken away and he should be required to decide the points raised in the appeal finally after himself conducting any further enquiry that he may consider necessary for the purpose.

(ii) *Proceedings before the Appellate Tribunal*

The minimum service qualification for appointment of a member of the Central Legal Service as judicial member and for appointment of an Assistant Commissioner of Income-tax as Accountant Member should be raised to 5 years.

The members of the Tribunal should have a tenure of office similar to judges of High Courts, *i.e.*, until 62 years of age. The President of the Tribunal should have the rank corresponding to a Secretary to the Government of India and other Members should correspond to Additional Secretaries. As the office of the President involves administrative powers and responsibilities only persons who are already vice-Presidents of the Appellate Tribunal should be eligible for appointment as President of the Tribunal.

Section 253 should be amended on the same lines as section 246.

The rules should be amended so as to permit a memorandum of appeal being signed by the Power of Attorney-holder of the Appellant.

The Appellate Tribunal should be given specific powers to dismiss an appeal or reference application before it on the ground of non-appearance of the Appellant/Applicant and it should not be required to pass an order thereon on merits. However, there should be a provision for re-opening the matter by the Appellate Tribunal at the instance of the Appellant/Applicant within a period of 30 days. The Appellate Tribunal should also have the power to permit the withdrawal of an appeal or reference application by the Appellant/Applicant.

The law may be amended to provide that such a single member bench may dispose of any appeal where the amount of variation in the income or loss in dispute does not exceed Rs. 25,000.

Where the members of a bench differ in opinion, that matter should be re-heard by a bench of three or more members which may include the members who originally heard it.

As publication of important orders would go a long way in achieving certain judicial harmony among all the Benches in the country and will also enable the taxpayers to secure easily the official views of the final fact finding authority under the Act, the Tribunal should permit a reliable agency to publish an authentic and full text of its orders which it regards to be of general importance.

(*iii*) *Proceedings before High Courts*

The Government should consider the establishment of a Central Tax Court to deal with all matters arising under the Income-tax Act and other Central Tax Laws

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references in the various High ourts pending the establishment. f a Central Tax Court, the Go- ernment may advise the High Courts constitute, as soon as possible, ecial tax bench on an *ad hoc* asis to hear and dispose of the pend- g matters by continuous sittings roughout the year. To achieve niformity in this matter, judges ith experience in this branch of aw should be appointed on tax enches of High Courts.

The law may be amended to enable he High Court to dispense with the ormality of calling for statement of the case under section 256(2) where it is satisfied that the papers iled before it are sufficient to enable consideration of the question, and thereupon proceed to treat the appli- cation itself as a statement of the case and decide the question.

Section 256(3) may be amended to permit a refund of the fee paid also in a case where the application is withdrawn by the applicant before the Tribunal considers it.

Section 258 may be amended to give power to the High Court and the Supreme Court to alter or re- frame the question referred to it without remitting the matter back to the Appellate Tribunal. The Court should also have the power to amend the statement of the case suitably and, thereafter, decide the matter without sending it back to the Appellate Tribunal for making the amendment. The Court should, however, be given the power to direct the Appellate Tribunal to take additional evidence on any point, where it considers this necessary for the purpose of deciding the matter before it.

(iv) *Proceedings before the Supreme Court*

Section 257 may be amended to provide that, if the appellant makes a specific request to the Tribunal in a case where there is a conflict in the decisions of High Courts, it should be incumbent upon the Tri- bunal to make a reference direct to the Supreme Court. We further recommend that the power to make a direct reference to the Supreme Court may also be given to the Tri- bunal in the following situations:

(*a*) Where the High Court has already decided the matter in other cases;

(*b*) Where the point at issue is of a recurring nature in the case before the Tribunal year after year;

(*c*) Where the point at issue is one of public importance.

The requirement of obtaining a certificate of fitness from the High Court before filing an appeal to the Supreme Court be dispensed with so as to enable either party to move the Suppeme Court directly in a special leave petition, without ob- taining the certificate of fitness from the High Court. Such a pro- vision will be similar to that under Article 136(1) of the Constitution for grant of special leave.

(v) *Proceedings by way of Re- vision by Commissioner*

The provisions in section 254 re- lating to revision by the Commis- sioner should be amended to make it clear that the Commissioner wtll not be debarred from dealing wiih any matter under this section except where the same point has been agitat- ed in an appeal to the Appellate Tribunal or the Commissioner (Appeals).

As a corollary to the above, the provision in seection 263, empowe- ing the Commissioner to revise the Income-tax Officer's orders which are prejudicial to the revenue, should also be amended so as to clarify that the Commissioner will not be de- barred from revising any such order except where the particular point on which he proposes to revise the order has been made the subject matter of appeal before the Appellate Assis- tant Commissioner, the Commis- sioner (Appeals) or the Appellate Tribunal.

(vi) *General*

The taxpayer should be given the right to set off any refund due to him as a result of any order in appeal against any tax or other sum payable by him for any year by giving an intimation in writing to that effect to the Income-tax Officer.

ACQUISITION OF IMMOVABLE PROPERTIES

The experience regarding the work- ing of the provisions of Chapter XXA, which was inserted in the Income- tax Act on the basis of the interim report of the Wanchoo Committee for the last 5 years should be ade- quate for judging the utility and effectiveness of the provisions. The statisties relating to the progress of work in this area during the past few years in Bombay, where the evil of understatement of property values is considered to be widely prevalent, show that notices of acquisition have been issued in only about 20 per cent of the cases where intimations were received from the Registrar and acquisition orders have been actually issued only in a very small fraction of these cases. The acquisition order has been upheld in only one case. The conclusion is inescapable that the provisions have failed to achieve their intended purpose.

There is no evidence of the deter- rent effect of these provisions. The statistics do not disclose any steep rise in the yield from capital gains tax. Increases in stamp revenue, if any, may merely be part of the gene- ral phenomenon of rising tax re- venues or the result of increased rates of stamp duty. There is also no indication of any unusual rise in the value of immovable properties dis- closed for wealth-tax purpose.

There has been a change in the complexion of the situation after the Wanchoo Committee submit- ted their interim and final Reports. The law relating to ceiling and regu- lation of urban land, which came into effect in the course of 1976, has considerably reduced the magni- tude of the problem. With the recent enactment of section 54E, any tem- ptation for understatement of the sale consideration in the deed with a view to evading or reducing the capital gains tax liability has largely disappeared.

The effectiveness of the provisions in Chapter XXA for acquisition of property also depends entirely on the ability of the administration to sustain the estimated market value before the Courts. If the market value can be effectively established, the remedy under section 52(2) would be more direct and less cumbersome even from the Department's point of view.

Chapter XXA of the Income-tax Act should be deleted.

AUTHORITIES COMPETENT TO INTERPRET THE TAX LAWS

With varied interpretations put forth by different authorities on the comp.icated provisions of the In- come-tax Act, there is a marked tendency, in the Department, to re- open post haste and indiscrim- nately, completed assessment o the basis of any opinion advocate against the taxpayer.

A rigid interpretation, followe quickly by a wooden applicatio of the legal provisions, simpl because an adverse view against th taxpayer has been propounded b another authority, has to be strictl eschewed for reducing unnecessar litigation

There should be a reasonabl degree of finality in assessments. A observed by the Supreme Court i Parashuram Pottery Works Co Ltd. *Vs* ITO (106 ITR-1) state issue should not be reactivated beyon a particular stage and lapse of tim must induce repose in and set a rest judicial and quasi-judicial con troversies.

A new section 293A may be in serted in the Income-tax Act, t provide that the only authoritie competent and author sed to pro nounce upon the interpretation o the provisions of the Act shoul be the income-tax authorities, th Income-tax Appellate Tribuna the Settlement Commission, th High Court and the Supreme Court.

VALUATION OF HOUSE PROPERTIES

One of the vexatious problem confronting both the Income-ta Department and the taxpayer is th question of valuation of house pro perties for the purpose of determin ing the wealth-tax payable in wealth tax assessments.

Ordinarily, the engineers of th CPWD have been determining th value of house properties by wha is commonly known as 'land an building method'. Where land i inseparably rented out along wit the building, this method may no give the correct valuation.

Values of house properties shoul be determined by the method o capitalisation of the return actuall received or which could reasonabl be received from those properties.

The rates of capitalisation shoul be notified by the Board from yea to year.

In all fairness and equity, owner of self-occupied properties too mus be allowed the facility of determinin post 1971-72 assessment propertie at actual cost or at market rat based on the multiplier metho whichever is lower.

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Green signal from Shah

THE SHAH Commission's verdict that Mrs Gandhi foisted the emergency regime on the country "in a desperate endeavour to save herself from the legitimate compulsion of a judicial verdict against her" is not exactly a revelation. Its conclusion may not even have acquired special merit, simply on the score that it has been arrived at through an enquiry held by the former chief justice of India. The electorate, after all, had spoken clearly and finally when it booted Mrs Gandhi and her party out of office in the Lok Sabha election in March 1977. The voice of the people, in other words, had pronounced the political judgment on the perpetrator of the emergency regime and her accomplices and associates, leaving it to the successor government to apply the legal sanctions against the criminals. It has always been the view held by this journal that this government could, in the normal course, have identified sufficient legal grounds for placing Mrs Gandhi and her fellow-conspirators, collaborators or henchmen in the dock for unlawful exercise of power, or violations of the law of the land. It is only the tragic combination of a lack of nerve in the Home ministry, legal acumen in the Law ministry and political will in the Janata leadership as a whole which has come in the way of the government carrying out the mandate of the electorate to bring the guilty to book.

The two interim reports submitted by the Shah Commission have perhaps justified the time and money which is being spent on this investigation by establishing the grounds for the government instituting legal proceedings against the ex-prime minister and her hatchet-men such as the then minister of state for Finance and the then minister for Information and Broadcasting. It is of course true that the commission has done this job only after prolonged proceedings which frequently ran the risk of injuring the dignity and effectiveness of the commission itself. Nevertheless, the commission has been able to assemble and analyse evidence which goes to build up a formidable indictment against Mrs Gandhi and her political associates or officials who only too zealously carried out the illegal orders of the ex-prime minister and her coterie. In particular, the commission has helped to blow sky-high Mrs Gandhi's dishonest contention that she was not aware of the excesses committed during the emergency. Its reports have, in many cases, traced the responsibility not only to the bosom of her family but also to her very person. In the circumstances, the present government will be compounding felony if it still falters or fails in discharging its obligations to the people who are entitled to have the tyrants of the emergency regime adequately punished.

Apart from the primary importance of justice being done, there is also an urgent political need for the Janata party mending its damaged credibility with the people as a self-confident and fully functioning instrument of the government. This has become all the more unavoidable as the Congress (I) opposition in parliament has thrown a direct challenge to the central government by declaring its intention of organizing a popular agitation if criminal prosecution were to be launched against Mrs Gandhi on the basis of the Shah reports and especially if she were to be taken into custody in connection with these proceedings. The implication is that the Congress (I) has now deliberately committed itself to swearing by the legality of the declaration of the emergency and the acts committed on its authority or for its implementation as well as by the claim that the emergency was a political and administrative necessity. This is a completely unacceptable proposition for the public and the Janata party and the government will be betraying the electorate, which has voted them to power, if they do not call the bluff of Mrs Gandhi and her party.

In view of the delay which has taken place in proceeding against the perpetrators of the emergency and its excesses, it may perhaps be proper to urge on the government that speed is the essence of the matter in filing court cases on the basis of the Shah reports. Considering the maladroitness the Home ministry or other

limbs of the government have been displaying so lavishly through the actions attempted to be taken by them against Mrs Gandhi so far, it is, however, necessary to emphasize the need for the utmost legal expertise and executive competence on the part of the authorities who now have to process for legal action the findings and recommendations of the Shah Commission. Once the Janata leadership in the government is seen addressing itself to this responsibility in a resolute, independent and effective manner the greater part of the people of this country may be expected to rally to its side in fighting off any attempts on the part of Mrs Gandhi's party to take the issue to the streets. It may also be added that nothing would serve the public interest, the objective of the Janata party being able to master the divisive tendencies among its leaders or factions, or the efforts of the other Congress to resist the pressure on it to merge with Mrs Gandhi's party more than the early institution of serious legal proceedings against the ex-prime minister for offences for which she could be sentenced, if convicted, to a long term of imprisonment. Indian democracy is still too fragile to be able to afford the ambitions or adventures of a revanchist, half-dictator and half-demagogue, who thought nothing of trampling on the fundamental rights and civil liberties of 600 million people just because she would not give up the elective office of prime minister or her dreams of dynastic succession.

Ministering to sick units

THE MUCH-AWAITED policy statement of Mr George Fernandes, the minister of Industry, on sick industries was tabled in Lok Sabha on May 15, 1978. It spelled out the various steps that the government would take in order to prevent industrial units becoming sick and also, the tests of sickness which would be applied before a unit was taken over by the state. It seems that the statement has been drawn up under the phobia that industrial units turn sick only because of the doubtful competence or integrity of managements. Consequently, the proposed measures are designed largely to correct and even change the management in the case of a unit falling sick or being in such financial straits as might lead it to sickness. It is conveniently forgotten that quite a significant number of industrial units do become sick for reasons beyond the control of the managements such as demand recession, price control of products by the government, government policies, labour unrest, shortage of power, transport bottleneck or the paucity of raw materials and other industrial inputs.

Surely, prevention is better than cure. The policy statement has proposed the appointment of professional directors by the financial institutions in units in which they have a substantial financial stake; these directors would report to the institutions on the measures that should be taken to prevent sickness. But merely by appointing professional directors (who will be full-time employees of the institutions) on the board of directors of companies, the onslaught of sickness cannot be checked. Such a step might help only in those cases where the malpractices by the managements are expected to lead to financial bankruptcy, the units being healthy otherwise.

However, in cases where the root of the malady lies in the wrong policies pursued by the government (or anyone of the factors listed above), how can the professional directors be of any assistance at all? For instance, some of the sugar mills are currently in financial difficulties because the total production of sugar in the country far exceeds demand and under the partial control formula, 65 per cent of the output is made available to the government at below-cost prices for retail distribution while the free market prices for the balance 35 per cent production are too low to make up for the losses incurred in the case of the levy sugar. Even the professional directors appointed by the financial institutions would in this case suggest a change in government policy in order to restore health to sick sugar units. If the government heeds the advice of the professional directors in this regard, and agrees to provide relief either in the form of lower sugarcane prices, or higher prices for levy sugar or relief in excise duty, then the sick sugar mills would welcome with open arms the appointment of these directors. Similarly, in the case of many engineering industries, the total supply of goods in the market far exceeds demand and for the short period—till demand picks up—the mere appointment of professional directors can in no way alter the situation.

crippling burden

In the case of cotton textile units, the burden of manufacturing cheap cloth and selling it at a loss had crippled many units. If corrective action in this regard had been taken in time, there would have been no need to take over most of the 105 textile units and hand them over to the National Textile Corporation (NTC). Now the NTC is keeping these units alive but at what cost? The loss of the NTC in 1974-75 was of the order of Rs 3 crores which rose to Rs 61 crores in 1975-76 but dropped once again to Rs 3 crores in 1976-77. During the eight month period ending in November 1977 the NTC had already incurred a loss of Rs 22.59 crores.

The policy statement makes no mention of sickness of a unit due to a prolonged industrial dispute. It is a well-known fact that during the past one year, there has been considerable deterioration in industrial relations. The workers had no doubt been suppressed during the emergency but since the termination of the emergency, labour all over the country has adopted an intransigent attitude. A glaring recent incident is that of the pulp plant of Gwalior Rayons in Kerala where five-month long efforts to bring about a negotiated settlement failed. The management's appeals to the Labour minister to refer the dispute to adjudication also fell on deaf ears and the state government took over the administration of the unit by an ordinance which has been challenged in a court of law by

ne company. Here is a case of state ntervention which does not satisfy any of he conditions stipulated in the policy tatement of Mr George Fernandes.

In some industrial units, the multipli- ity of unions stands in the way of approchement between managements nd workers. And political parties end to aggravate the situation because each one of them backs one or the other abour union. The labour unrest tends o create tension in small towns where ife revolves round a single industrial nit.

Gwalior incidents

The recent labour unrest in Jiyajirao Cotton Mills of Gwalior is a case in point. The whole of Gwalior was plunged into anarchy for some days because of the labour dispute and the consequent strike. Such conditions are not, at present, peculiar to one area or city alone. All over the country, labour unrest is on the increase. The Federation of Indian Chambers of Commerce at its 51st session recently had drawn attention to it in a resolution and had asked the government to take measures against indiscipline and use of coercive methods by organised labour. But it seems that in the view of the minister of Industry, no unit can get sick simply because labour has adopted an intransigent posture!

The failure of the government on the power front has been responsible for the miserable condition of many industrial units. The mini steel plants with an investment of more than Rs 150 crores have been languishing for some time for no fault of the managements. The government had originally licensed 206 mini steel plants out of which only 120 units were installed. Their installed capacity was around 2.88 million tonnes but their total production in 1974-75 and 1975-76 hovered around 600,000 tonnes. It improved to 1.16 million tonnes in 1976-77 but the demand recession made it impossible for the units to dispose of even this meagre quantity. Even the annual report of the ministry of Steel and Mines for 1977-78 has conceded that "certain constraints in the shape of power shortage, inadequate availability of graphite electrodes, disturbed industrial relations in some units, managerial efficiency etc have acted as an impediment to further improvement."

The number of industrial units which have had a financial set-back because of power shortage is large and they are spread all over the country. Because of government's increased emphasis on agriculture, in periods of power scarcity, the interests of industrial units are sacrificed; while power is made available for agricultural tube wells, it is denied to industrial units. The number of industrial units in Faridabad which have suffered because of this shift in policy is of no mean order.

The policy statement makes one thing very clear. It shows that the government is not very keen to take over the sick units as its experience in this regard has been far from satisfactory. The sick units continue to be sick even after having come under the protection of the government. So, an elaborate procedure has been laid down for deciding about the take-over of a sick unit. Only after a screening committee comes to the conclusion that a certain unit cannot become economically viable unless it is taken over by the government, will the extreme ste of government take-over be taken. How ever, the assumption that the requisit volume of finance and management capa bility alone provided by the financia institution after state take-over would bai out the sick industrial units is misplaced as the sickness of textile, sugar, engineer ing and a host of other industrial units has clearly proven.

Mr Pravinchandra V. Gandhi, president of the FICCI, struck the right note while addressing a press conference recently, in the capital when he said that "for every unit which has been rendered sick because of bad management there might be four which have been sick because of government regulations and controls." He was also of the view that "the recessionary phase of industry is a reflection of bad management on the part of the government." The FICCI would organise a workshop on sickness in industry to study the causes and find solutions to the problem, he added. But will this workshop serve any purpose in the case of people who have already made up their mind on this question?

Telephone Tantrums

Telephone subscribers, exasperated by excessive billing, would have noted with interest the voicing of similar complaints by members of parliament and the prime minister roundly condemning the Telephone department for its inefficiency in Rajya Sabha on May 12.

It is not only the poor maintenance of equipment, particularly of STD which does not necessarily get disconnected when the call is over, which causes excessive billing. From several complaints which I have personally investigated in Bombay, there appears to be a racket in the Telephone department. Corrupt staff members approach and accept money from some subscribers and route their call charges to meters of other subscribers, particularly if those unfortunate people are away from home for some time. Institutions and companies are also victims of this racket.

There is no management worth the name in the Telephone department to stop this malpractice. Since the department has a vested interest in its own inefficiency which swells its coffers, the telephone authorities use gunboat diplomacy by threatening to disconnect subscribers' lines if the unreasonably high bills are not paid. The rules provide for arbitration, but the department shirks away from this solution.

The government cannot also escape blame. A former general manager of Bombay Telephones was prosecuted by the CBI on corruption charges but there is no disclosure of his name or of other corrupt officers who have been caught and successfully prosecuted. It is not known why the "fair name" of the corrupt officers should be thus protected. Fear of publicity is a good deterrent to corruption.

Second, the government is treating the crucial Telephone Advisory Committee as a Pinjrapole for political supporters. It is unfortunate that persons like the chairman of the Consumer Guidance Society of India do not find a place on the Telephone Advisory Committee.

It is high time that the Telephone department was converted into an autonomous corporation and run on purely commercial lines, insulated from political influences.

M.R. PAI

Glut in bank money

FOR THE first time after 1973-74, the banking system is worried over the remunerative use of its bulging resources. Even in the earlier period, when there was a temporary glut of funds, banks indulged in competitive lending and it was complained that there was even an unfair undercutting of lending rates and big accounts were snatched by anxious bankers from sister institutions with the offer of attractive incentives. It was felt naturally that unfair practices were being adopted and banking business was tending to be unhealthy. With the Reserve Bank authorities enforcing new codes of conduct and revival in demand for funds, the era of cheaper money was shortlived. The bank rate was hiked to nine per cent from seven per cent in the latter half of 1975 when there was galloping inflation and anti-inflationary measures were introduced. The structure of interest rates on deposits and advances was realigned and the levy of the novel tax by the central government on income derived by the banks from certain categories of advances imparted a new edge to the policy of dear money.

unscrambling process

The process of unscrambling earlier harsh measures started last year when deposit rates for the short term period were lowered and two classes of savings account were introduced. There was also a marginal reduction in rates on some classes of advances though borrowing was still costly. The abolition of the tax on income from advances in the budget proposals for 1978-79 came as a pleasant surprise and there was a consequential lowering of the ceiling on lending rates to 15 per cent from 16.5 per cent. The rate on food credit was also lowered by one per cent to 11 per cent. At the same time there was a reduction in interest rates on deposits and the maximum rate for long term deposits was reduced to nine per cent from 10 per cent.

Borrowers could negotiate with their bankers for an appropriate reduction in the interest rates on their loans so that some benefit could be derived out of the reduced cost of deposits. Since there was sudden easing of pressures on banks and the dependable borrowers had to be kept contented, there had to be a reduction in interest rates by one to 1½ per cent where the lending rates ranged between 13 to 15 per cent without taking into account the impact of the central levy. The managements of the banks were unwilling to concede readily the demands of their constituents as they were apprehensive that the net reduction in the cost of deposits would not be tangible until there were heavy maturities of long term deposits and renewals on the revised basis. At the present moment the new rates are applicable only to new deposits and it is not expected that banks will benefit by the lower rates on 70 per cent of time deposits.

These developments have jolted many bankers and they are seriously worried about profits being maintained at reasonable levels in 1978 especially as a short decline has been recorded in the credit deposit ratio and investments also are not remunerative with positive supplies of long-medium and long-dated securities.

RBI Tightens Money Supply

The Reserve Bank of India (RBI) announced on May 15, a further measure of restraint on expansion in money supply, by impounding half of the accruals to commercial bank deposits by way of foreign exchange remittances to India.

The RBI simultaneously asked the banks to accelerate the flow of credit to priority sectors in view of the comfortable liquidity position of banks. It, however, emphasised that the policy of caution towards credit expansion had to continue.

Even in 1977 the working results of t banks have been uneven except for son nationalised banks which have exceede the profits for 1976. Others have foun it difficult to maintain earnings at pr vious levels. A few have actually repor ed a sharp drop in the their net earning While a clear picture will emerge after t results of some of the major banks hav been published, it will not be incorre to say that the gross income as a pr portion of aggregate working fund h declined in 1977 as compared to 197 At the same time, interest paid on d posits and borrowings has increase sharply and salaries and allowances al have risen sizably because of larger ove time payments and bonuses. With high working expenses in other directions, n earnings have tended to be lower and t surplus paid to the central governme has not increased and has even decline in some cases.

changed situation

Reasonable profitability of worki could be ensured by banks as the avera credit-deposit ratio remained high in 19 and the floatations of central loans an bonds by public bodies provided al suitable outlets for increasing worki funds. Borrowing from the Reserve Ba too could be reduced sizably with a vie to effecting savings in interest charge The situation however has vastly chang since the beginning of this year. With continuing rise in deposits, less keen d mand for funds and delays in the float tion of loans and bonds by governmen and public bodies, banks have experien ed great difficulty in deploying remun ratively available funds. The metamo phic change in the complexion of t money market will be evident from th following details.

In the twelve months ended April 1 1978 deposits of scheduled commerci banks had jumped by Rs. 4,173 crore The Rs 4000 crore-mark has been cor fortably surpassed in a tweleve-mon period for the first time in the history Indian banking and it will not be su prising if the growth in deposits in 19 is in the region of Rs 4,500 crores. T bulging deposits could not be profitab utilised. There has of course been a r

duction in borrowing from the Reserve Bank by Rs 541 crores during the period under reference. Cash balances too had to be increased to the extent of Rs 738 crores on account of the continuance of high cash reserve ratio and the impounding of 10 per cent of the incremental deposits since the middle of January last year. Even so investments in government and approved securities had to be increased substantially by Rs 2341 crores and this is the first time in recent memory that over 50 per cent of incremental deposits have had to be invested in gilt edged securities.

resulting confusion

The lending institutions would have been happy if a return of at least six per cent could be secured on new investments. There was also no scope for lending in the call market as there were more lenders than borrowers and interbank call rate has been quoting around five per cent for some time. The situation in the money market is also chaotic as business is not being put through authorised broking firms following the directive of the Reserve Bank that no commission should be payable on business handled by authorised brokers in respect of short-term money transactions. The absence of scope for organised lending in the money market at a time when there is a glut of funds has resulted in confusion and the changes in the rates have been in wide limits with individual borrowers feeling unhappy when it is realised that they have to pay rates higher than would have been normally payable having regard to other transactions on the same date.

The lenders also have a grouse when they have to part with funds on a cheaper basis as they could not judge properly the state of the markets in the absence of the assistance under the earlier arrangements. In view of the fluid state of the money market and the possibility of significant changes in short-term rates even with the revival in the demands for funds, it is imperative that the earlier arrangements are restored and orderly lending of funds rendered possible. The cost to bankers through payment of commission would be far less if a proper computation is made of the cost of time spent by bank executives on locating borrowers, and the waste involved in the maintenance of idle balances in the absence of timely lending.

While it is expected that the RBI will realise the unwisdom of its recent directive and agree to a restoration of earlier arrangements, what is of greater importance is a policy calculated to put to good use available resources and protecting reasonable profitbiality of banks. When there is a cry that there is a paucity of rupee resources banks are complaining of unlendable funds. The higher cash ratio and impounded deposits account for the immobilisation of over Rs 1000 crores. Even otherwise large amounts are invested in treasury bill while borrowings from RBI have been brought down to very low levels. With fresh advances accounting for less th 40 per cent of incremental deposits a statutory obligations requiring only per cent of new funds, there is a balan of 21 per cent available for other use This amount can be safely employed f lending to state electricity board public bodies and other organisatio for implementing new schemes. There even a case for lowering the cash reserv ratio and dispensing with a portion o impounded deposits, if only Plan outla can be stepped up meaningfully in vita directions. The profitability of bankin also would be protected in the process It is necessary to realise that reasonabl profitability is essential if the interest o depositors is to be protected when there is adventurous and risky lending in some directions.

West Bengal power prospects

THE POWER situation in West Bengal has sharply deteriorated in recent weeks. Load shedding has become more widespread and acute causing agony and anxiety to citizens as well as industry. There has been a tremendous loss in production and also a serious set-back to industrial expansion and new investment. The Industries department of the government of West Bengal held a seminar in Calcutta on May 5 and 6, in collaboration with chambers of commerce and other business organisations, on the problems and prospects of industrial development in the state. The seminar discussed various aspects relating to industrialisation but regrettably power was not considered with the urgency and seriousness it deserved. On the other hand, most participants focussed attention on minor issues like the need to locate the headquarters of some of the all-India financial institutions in West Bengal and to bring under one roof all the promotional agencies of the state government. Power was, of course, one of the subjects for discussion at the seminar but there was no attempt to face the realities of the situation.

Mr Jyoti Basu, the chief minister, who inaugurated the seminar, reiterated his view that the power crisis was mainly a result of persistent neglect by the previous government. He referred to the efforts being made by his government to solve the problem but he did not hold out any promise of immediate improvement. He said that he would welcome frequent discussions between the engineers of the power plants of the state electricity board and technical experts from the private sector. The industrialists who spoke in the seminar suggested that a "watch-dog committee" should be set up to ensure that the power plants operate smoothly. But none of the participants pointed out clearly that indiscipline was the major cause for the chaos in power supply and that the situation could be quickly improved if only the state government would act firmly in dealing with it.

It has been known for a long time that sabotage has been going on in the power stations caused by inter-union rivalry and motivated by political considerations. But neither the state government nor the industrial organisations have shown a willingness to face the facts. *The Statesman* of Calcutta revealed in a report in its issue of May 11 that there were 14 breakdowns in power units at Santaldih and Bandel in March and April and it described these as "a phenomenon

therto unknown in the operation of the oard's power stations". The report uoted the following views of an official f the Power department: "It's like ightening the noose and then easing it. This happens in turns and in a rhythmic nanner. Of late, we have been seeing his new game in the power stations. We are convinced that there is an organised effort to sabotage power supply. A strong force is behind this. Their objective is to cripple Calcutta. For it knows prolonged power cuts in the city hurt the government most and impair its image. And they do it at will."

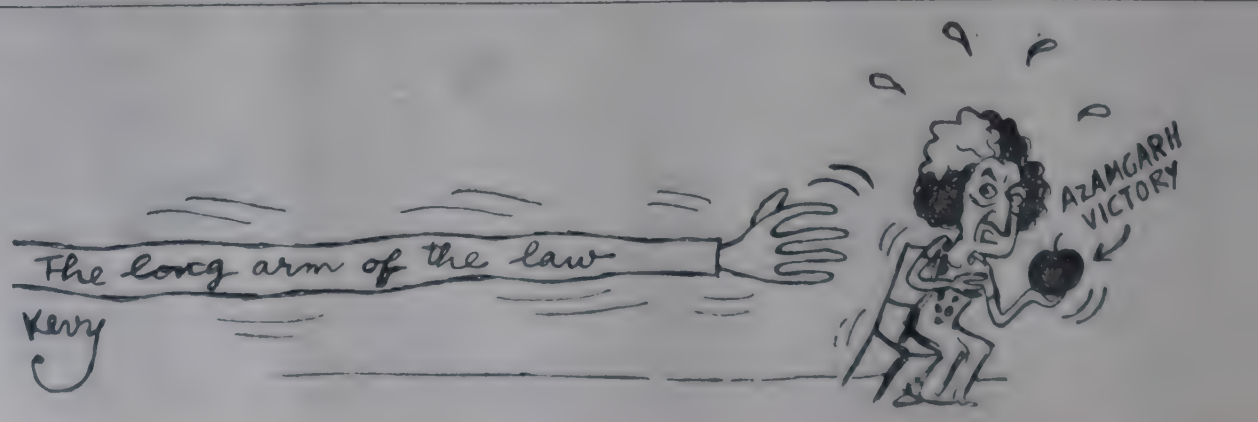
delegation's report

In this situation, will the installation of gas turbines provide any relief from the chronic power shortage? Recently, a delegation of industrialists from Calcutta which visited Britain and France informed the state government that gas turbines were readily available from these countries at competitive prices. Another delegation which went to Japan has also reported about the easy availability of these turbines. Mr P. Ramachandran, the Energy minister, has said that the centre is not opposed to the installation of turbines by any state government. But in view of the high cost involved in importing and operating these machines it seems doubtful if West Bengal will be prepared to have them. Even if it does so, what is the guarantee that workers will sincerely cooperate with the government in operating the turbines? Moreover, will the state government be justified in ordering the import of turbines when the existing power plants have adequate capacity but are unable to generate power due to sheer administrative slackness? In March and April this year the plants at Santaldih and Bandel were shut down for 1105 hours and this has been attributed mainly to negligence as well as deliberate disruption. In this background, is it not unrealistic to expect that the problem can be solved by importing gas turbines or by exchanging views between the engineers in the power plants and experts in the private sector ?

Mr Jyoti Basu has declared on several occasions that the government will not tolerate indiscipline in the power plants. But why is the government hesitating to take stern action against those who indulge in it ? On January 8 this year, a worker in Santaldih was charge-sheeted for assaulting an engineer. The chief minister took a serious view of this incident and he declared that the right to beat up was not a democratic right of the trade unions! But till the middle of May no action has been taken against the worker and the date for replying to the charges against him is being extended from time to time. A senior engineer is reported to have said that "nowhere there is such criminal negligence in the running of a power station as at Santaldih". The government therefore should deal with indiscipline in right earnest, irrespective of the political affiliations of the trade unions, if the power situation is to improve in the near future.

Meanwhile, the government should take an early decision to permit industrial units to instal captive power sets. The chief minister has said that the government will sympathetically consider such requests. Many units have submitted their applications, asking for permission and also for certain incentives like loans on soft terms, exemption from the electricity duty on the power produced from such sets, reduction in the customs duty, and some subsidy. The government of West Bengal should take action on these applications without further delay. The government should also examine in what ways industrial units can be persuaded to operate night shifts when there is some surplus in the availability of power. Mr P. Ramachandran said, in his address to the power seminar, organised in New Delhi on May 8 by the Punjab Haryana Delhi Chambers of Commerce, that "at present there is so much reluctance on the part of all concerned to adopt shifts and hours of work other than those to which they are accustomed". But has the minister examined why there is this reluctance? In West Bengal, the proposal to persuade industrial units to operate at night was under active consideration even during the regime of Mr Siddhartha Shankar Ray but nothing has been done in this matter because industries say that night shifts will create many problems including those arising from labour's unwillingness to agree. However, if this will provide some solution, the government of West Bengal should examine its feasibility and, if necessary, should also grant some incentives to the units which will agree to switch over to night shifts.

Already, the state government has lost sizable revenue due to the fall in production as a result of power cuts. The central government also must be losing revenue since West Bengal contributes substantially to the country's industrial production and foreign trade. So far, New Delhi does not seem to have shown much interest in tackling the power crisis in this state. In fact, Mr P. Ramachandran said in Calcutta a few weeks ago that there was no shortage of power in West Bengal. What the minister meant was that the state had adequate capacity to produce all the power it needed at present but it was not being utilised effectively. This should not create complacency in New Delhi. The Energy ministry has also a responsibility to see that the power production in West Bengal steadily improves since further deterioration will seriously cripple the economy of the entire eastern region. The West Bengal government should deal with this matter with greater urgency instead of constantly harping on the need for a review of the centre-state relations and thereby diverting people's attention from problems which are of far more direct and immediate concern to them.



CAPITAL'S CORRIDORS

R. C. Ummat

Foodgrains output • Problems of industry

EVEN THOUGH the Finance ministry and the Planning Commission are understood to be diffident about accepting the Agriculture ministry's estimate that the output of foodgrains during the current agricultural year ending on June 30 may exceed 125 million tonnes, the procurement of wheat till now and the reports of farmers in some areas being obliged to part with their produce at rates substantially lower than the support price may warrant a further upward revision of the production estimate. The Agriculture ministry had revised its earlier estimate of 121 million tonnes to approximately 125.69 million tonnes towards the end of last month on considerations that the last kharif crop had turned out to be around 77.39 million tonnes, despite some damage due to cyclones in south India, and the preliminary estimate of the current rabi crop had indicated that this crop could aggregate to about 48.30 million tonnes.

higher procurement

Significantly enough, when this rabi estimate was given, the Agriculture ministry did not expect wheat procurement this year to exceed six million tonnes. Currently, expectation has come to be entertained that wheat procurement during the current season may touch, if not exceed, seven million tonnes. By May 16, it had already crossed 2 3 million tonnes —an increase of over 90 per cent over the quantity procured during the corresponding period last year. To some extent the increased procurement this year might have been due to the hesitancy of private trade to purchase grains as foodgrains prices, particularly of wheat, all over the country have stabilised and are not expected to appreciate much owing to easy availability. But still the farmers in some areas being obliged to part with their produce at nearly 25 per cent discount over the procurement price of Rs 112.50 per quintal is a sure enough indication of the fact that wheat crop this year is a bumper one. Another important point to be noted in this connection is that the vastly increased procurement of wheat till now has been effected in spite of the work-to-rule agitation of the employees of the Food Corporation of India in some areas.

Compared to the last year's aggregate output of foodgrains, the current year's production will be at least 14 million tonnes more. It will exceed the previous peak in production—121 million tonnes—attained in 1975-76 by over 4.5 million tonnes.

Of the slightly over 22.3 million tonnes wheat procured up to 16 May, as much as 1.44 million tonnes had been bought by the governmental agencies in Punjab, 4.7 lakh tonnes in Haryana and 3.3 lakh tonnes tn Uttar Pradesh. The purchases during the corresponding period last year in the three states had been around 6.7 lakh tonnes, 3.4 lakh tonnes and 1.5 lakh tonnes respectively.

* *

Addressing his first press conference last week after assuming the office of president of the Federation of Indian Chambers of Commerce and Industry (FICCI), Mr Pravinchandra V. Gandhi called for gearing up the economy to achieving a high rate of growth, especially when there were several favourable factors in the form of price stability, a record agricultural output, comfortable external resources position and continuing inflow of remittances from abroad. Attempts at a higher rate of growth, felt, would simultaneously generate lar employment opportunities and spread t benefit of progress to the more nee sections of society. He urged that gover mental policies and programmes shou be devised accordingly and bottlenecks growth ought to be removed expec tiously.

Mr Gandhi, however, was critical several pronouncements of persons authority. Some of their statements, h observed, were based on sheer impre sions; they could lead to vitiation d decisions. He particularly referred in thi regard to industry's role in rural deve lopment, mismanagement of industria concerns, slow-down in investment an sickness in industry.

welcome move

Mr Gandhi pointed out that it was no correct that businessmen were not inclin ed to take interest in rural developmen in spite of the tax concessions provide in the 1977 budget. He revealed that des pite two major inhibiting factors, as many as 71 projects for rural development had already been submitted by industrial entrepreneurs for the consideration o the prescribed authority, of which 44 had been approved by April 1. These projects involved an expenditure of Rs 1.5 crores. The developmental schemes covered by them included provision of medical care, sanitation, educational training and cross-breeding services; setting up of farming demonstration and poultry farms and assistance for the development of animal husbandry, horticulture, etc. Mr Gandhi further stated that quite a few business houses had taken initiative to promote rural development even before the tax concessions were announced.

The two factors which had stood or were standing in the way of industry taking up rural development programmes in a more concerted manner, Mr Gandhi said, were (1) the delay of about six months in framing the guidelines under the provision in the Income-tax Act according to which the expenditure on rural development could be deductible in the computation of taxable incomes of companies or co-operative societies with the approval of the prescribed authority;

and (2) the necessity to change the memoranda and articles of association of companies to entitle them to incur expenditure on rural development. While as a result of the framing of the guidelines in November last, the first irritant had been removed, the Companies Act had yet to be suitably amended to enable the industrial concerns to change their memoranda and articles of association accordingly.

regional seminars

Mr Gandhi disclosed that with a view to giving a fillip to industrial units rendering assistance to rural development, the FICCI had set up a cell and would be organising soon regional seminars to consider the issue in depth and to identify the fields according to the areas concerned in which industrial units could render help. An offer had already been made to make available the services of experts for the marketing of products of the small-scale industries.

The FICCI president contested that the business in the private sector was mainly in the hands of certain families and this had led to mis-management. He pointed out that there was a good deal of contradiction in this thinking. While it was said that families held a small proportion of the total share capital, particularly in large business houses, and had more than proportionate influence, the confidence of shareholders in the management of business associated with certain families was sought to be run down. He further stressed that appointments to key posts in the private sector were made with the approval of the government. Mismanagement, he emphasised, was not limited to the so-called family-controlled business units; it had taken place even in the companies which were professionally run. He wanted the government to clearly define what family business was instead of harping on bringing to an end family-controlled business without precisely defining this type of business.

The slow-down in investment, Mr Gandhi pointed out, was due to several factors. In some industries, investment had slowed down because of government regulations prohibiting fresh investment, as in the case of cotton textile loomage, sugar, etc. Several industries, such as automobile tyres and tubes, consumer durables, etc., were passing through recession. In the case of some others, the rate of return on new investment is pitiably low. The cost of new projects, he observed, had gone up several fold. Financial institutions did not have adequate funds and their lending operations were combursome. The capital market too was dull. In such controlled industries as cement, fertilizers, paper, etc., the rate of return allowed was not only inadequate but also not commercially defined. The industry, he said, expected 14 per cent post-tax return on net worth, while the government allowed not more than 12 per cent. There was also no concensus in the government on the precise definition of net worth, which should take into consideration the equity capital plus free reserves, including the development rebate reserve.

minor adjustments

Mr Gandhi desired that the factors affecting investment should be examined industry-by-industry and a combination of policies worked out to ensure that new investment became worthwhile. Minor adjustments in policy, he stressed, could not be expected to yield wholesome results. Mr Gandhi suggested four concrete steps to foster industrial growth. These included: (i) reduction in interest rates with prime rate not exceeding 12 per cent; (ii) scaling down of taxes—both direct and indirect; (iii) ensuring adequate return on investment and rationalising the pricing policies for controlled industries so that besides yielding adequate return, something was left for ploughing back also; and (iv) streamlining of the lending procedures of financial institutions.

Mr Gandhi, similarly, pointed out that the sickness in industry could not be ascribed to only bad management; there were a number of other factors also responsible for this. He observed that the recessionary trends in several industries were a reflection of bad management on the part of the government. He appreciated the policy enunciated by the minister for Industry in regard to sick industries, but regretted that sufficient emphasis ha not been placed on measures which we necessary to maintain healthy atmospher in the industrial sector. He felt that aft price stabilisation, the whole range demand management had to be knocke off.

the right answer

Mr Gandhi also stressed that sickne was more prevalent in small than l large undertakings. He expressed the vie that in cases in which sickness had bee due to bad management, the merger o sick units with the healthy ones would b the right answer. Taking over all sic units by the government would lead t large financial commitments and als impose a responsibility which the govern ment might not be able to handle. M Gandhi disclosed that a workshop wa proposed to be organised by the FICC in a couple of months to identify clearl the causes of sickness in industry so tha judicious remedial measures could b taken.

Another important suggestion made b Mr Gandhi was that trade and industry chambers should be recognised by th government and their membership b industrial and business entrepreneur should be made compulsory. This woul impart some authority to them in check ing malpractices.

In regard to deposits with companies Mr Gandhi opined that instead of impos ing restrictions on the amounts of depo sits that companies could expect, it woul be more logical if the government stipula ted interest rates on company deposit vis-a-vis bank deposits for safeguardin the interest of depositors. The interes rate on company deposits could be sub jected to a ceiling of two per cent mor than the bank deposit rates. He contested the impression that company deposit competed with bank deposits. The tota deposits with companies, he pointed out were very small in comparison with th bank deposits and there were physica limitations placed on these deposits The banks also took into consideration the deposits mobilised by companie on their own while extending credit limits.

Indian experience in economic development and its lessons

C. Subramaniam

In this address to the Second National Conference of the Asian Studies Association of Australia held in Sydney earlier this month, Mr C. Subramaniam, ex-Finance minister, pleads for certain fundamental changes in the socio-economic profile of the Indian —and, indeed, Asian—rural scene, since, without these changes, the tools of science and technology cannot be fully employed for improving the life or lot of the poor.

HIS ADDRESS is composed of two parts. he first part will be a fairly straightorward narrative of how India has gone bout economic development since it tained political independence three ecades ago. The other part is the elevance of—or the lessons to be drawn rom, if one may so describe it—the ndian experience to the rest of Asia.

I

When one is talking of a country of ontinental proportions like India it has o be remembered that it is an entity vhich even after the partition that ccompanied the British withdrawal from he sub-continent started with a popula- ion base of over 360 million. This figure epresented a variety of ethnic, religious, ultural and linguistic groups. Even the dministrative centralisation which British colonialism enforced, did not mean that all Indians shared the same political heritage or experience. This varied significantly for the common man depending on whether he lived in a province fully and directly under British administration or in an area under the jurisdiction of princely rulers.

Improved communications, a common civil service and revenue system and the introduction of modern educational systems by the British had, however limited in its purpose, led to closer linkage among the people. But behind the seeming heterogeneity and disperateness there was the underlying unity of India forged by a composite culture and a dynamic national movement under the magical leadership of Mahatma Gandhi. It was magical because notwithstanding its most notable success in political mobilization against an alien rule, its more basic significance was in the social and spiritual field. The key to its success was its ability to appeal to the Indian psyche, across barriers of language, culture and political background. That it did not succeed entirely against the barriers posed by religion, particularly between the followers of Hinduism and of Islam at the final stage does not detract from his achievement across other barriers and over other obstacles.

But Gandhi was snatched from the

POINT OF VIEW

scene by an assassin's bullet within months of the dawn of Independence. The mantle fell on Nehru and it was he, more than any other person, who was to influence the course of Indian development over the following quarter century.

I had the privilege of working quite closely with Nehru first from a distance from the state of Madras and subsequently as a colleague in the federal parliament and in his cabinet. Others have written extensively about the divergent pulls in Nehru's philosophy—one that could be traced to his western-oriented socialist inclinations and the other to the influence of Gandhi with his more native orientation. It was fascinating for me to watch the interplay of these conflicting pulls on Nehru when called upon to make crucial decisions of state policy. As is well known it is a peculiar mixture of liberal socialism of the west and the experiments in planning in the Soviet Union that often prevailed over the philosophy of decentralized rural-oriented production.

Nehru's objective was to transform a colonial economy with its lopsided development and disparities into a progressive economy with modern agriculture and industry and a socialistic pattern of society. But behind all this effort at planning was Gandhiji's message stressing the need for self-reliance and self-development.

sound effort

The first five year development Plan was a sound, if not a spectacular effort. It made a sensible attempt to build on what was already available. It added to road facilities, improved railways and constructed new schools and hospitals. It set itself a simple system of priorities, one that the people, even the illiterate villagers, could follow and appreciate. It tried to build up agriculture in an effort to get over the problem of food scarcity. It also attempted to make village life a little more comfortable through better public services. It was not based upon, nor did it require, any innovation in the technique of administration even though the focus of action was to shift from routine law and order administration to promotion of broad-based development. The generalist administrator, who was the backbone of the colonial administration had also taken a major role in drawing up the development plan under Nehru. He felt no serious inadequacy in himself, nor in the system of which he was a part, in assuming the new responsibilities.

By the time the second five-year Plan

came to be formulated in the mid-fifties, the Soviet approach to development as well as the techniques of planning developed in that country has begun to exercise a more direct influence. Development economists around the world were in any case preaching that what the poorer countries lacked was capital and know-how. It is these that they were told they should acquire if they wanted to get prosperous. The Russian experience seemed to provide to Nehru and most of his colleagues, with a practical way, to achieve this goal. With some sacrifice on the part of the people in terms of current consumption this could be attempted largely with local resources. The answer lay, the argument ran, in building up heavy industries, industries that would turn out items of equipment and machinery (e.g. locomotives, rolling stock, equipment for sugar, chemical and other basic industries) of intermediate goods (such as cement and steel).

stress on heavy engineering

Agriculture was not going to be ignored, of course. But what was being increasingly emphasised was that the country must build those heavy engineering units, the steel mills, the harbours and the railway yards, if it was going to develop ultimately and emerge as a strong and self-reliant nation economically. Agriculture and social services were also to receive attention. In fact the next 10 years saw the intensification of the Community Development-cum-National Extension Scheme which was a major attempt at community mobilization to get more out of the agricultural sector and to make villages better places to live in. But in terms of allocation of scarce resources the pride of place went to capital intensive basic industries.

This approach in its essence continued for a good ten years, through the second and the third five-year Plans. The severe food shortage of the mid-sixties administered a rude shock to the faith in this approach. A careful appraisal of policy followed. A country that had to seek foodgrain imports mostly on concessional terms of the order of more than 10 million tonnes in a year had to ask itself the question of which came first steel or food. For me personally the change manifested itself in a somewhat striking form. In the federal cabinet, I gave up the portfolio of steel and heavy engineering and took over that of food and agriculture.

a timid appearance

The new seed-chemical fertilizer technology in crop production was making its timid appearance about this time. Here, we thought, was a golden opportunity that science was offering to troubled nations, of which India was among the more distressing example, to do something quickly to step up foodgrains output and secure the food front on a sustained basis. Earlier attempts in this direction had made but limited headway owing at least partly to the fact that it was difficult to enthuse the farmers to make special efforts for the sake of marginal gains, which was all that was possible in the absence of a decisive improvement in production technology.

The next four or five years thus witnessed a major effort in introducing new seed varieties in wheat, rice, and corn and new chemical fertilizers. This was accompanied by a new thrust for the development of a base on which these innovations could be expanded and sustained over time and across the length and breadth of the country. This took the form of agricultural universities, research stations, demonstration and training centres for farmers, a policy of assumed minimum prices and additional storage, processing and marketing facilities. The investment in industry, transport and communications that had been made earlier stood in good stead now precisely for making the policy shift in favour of agriculture effective. To me this only confirms a thesis that I have believed in always, namely, that to pose the question of which should get priority – industry or agriculture—in absolute terms is meaningless. The real question needs to be asked in terms of *relative* investments and their *time phasing*, so that inputs and outputs from these two major sectors match and sustain each other. Certainly, the seeds and the fertilizers could not have been delivered to the farmers but for the earlier investments in factories, railways, ports and roads. N could the expanding sugar and tex industries have secured their raw-mate requirements but for the progress in farm sector. And the entire process w carried forward by a band of resea scientists and extension technologi coming out of a string of colleges a research institutions established in diff ent parts of the country.

The fifth five-year Plan in the form lation of which work started in the ea seventies marked in many ways a wat shed in Indian planning for econon development. It proceeded on the ba that a strong foundation had been alrea laid for the steady growth of both indu try and agriculture. The assumption w that the worst crisis was behind us in po of time. Never again would rise the speci of famine of the type that had haunt the country in the mid-sixties. Indust was not only showing steady advan but was making a significant contributi to the country's foreign exchange earnin through export of manufactured articl If there were still signs of shortages no and then they reflected more the insa able demands of a growing nation over 500 million people and not a stagnation in output.

euphoria about farming

This then was the atmosphere i which the fifth Plan was projected—a euphoria about agriculture associate with the new technology, confidenc about the growing industrial streng and an encouraging export performanc The basic questions in planning accord ingly tended to shift from *rates* of growt to *patterns* of growth, from *how fast* th GNP could be made to grow to *who* wa benefitting from the growth. This wa not unique to India, of course. Abou this time, such questions came to be rai ed around the world in many forums. I India, they assumed a special significanc and urgency, owing to the fact that th Congress party had been re-elected t power on the theme and promise o "Garibi Hatao" or "War against Pov erty".

In the interest of brevity I shall not g into all the arguments that were raise for and against an approach to plannin

ocussed directly on poverty redressal. here were many debates on the econo- ics, the politics and the administration f a changed policy. Nor shall I go into ie details of many decisions that the overnment took in pursuance of the bjective of growth with social justice. y way of a summary reference, I would ke to mention the following among the ajor elements of the new emphasis :

—Special measures for the promotion of employment and incomes in rural areas, particularly among the small farmers, tenants and landless labourers;

—Land reforms ;

—Provision of basic minimum services (of food, housing, clothing, education and health care), to the entire population, within a definite time-frame ; and

—Restructuring of the production patterns and processes so that the minimum needs of all would take precedence over the satisfaction of luxury consumption of an elitist minority.

period of experiments

It was a period that called for experiments and innovative approaches before specific programmes could be formulated and launched on a nationwide scale. Thus there was the employment guarantee scheme in the rural areas of Maharashtra, of whole-village district rural development schemes in Andhra Pradesh, of rural housing schemes of Kerala, of rural industrialization through small-scale units in Punjab and Haryana, of combined family-planning, child-care and nutrition schemes in Uttar Pradesh (to cite but a few examples at random). Simultaneously, there was a new surge of interest in problems of rural development on the part of the scientific community and attempts on their part to do their best for improving village life. In particular this included assistance in resource surveys, improved housing, better sanitation and provision of cheap fuel. A National Science and Technology Plan was drawn up for the first time to provide a framework of action by national laboratories and field stations with accent on solving or mitigating the problems of the common people in towns and villages by mobilising local resources and talents.

Obviously these are not matters on which one can hope to see dramatic results to materialise in a period of five or even ten years. The vastness of the country, the size of its population and the magnitude of the backlog of poverty from the past virtually rule out such results in the short run. There is no denying the fact however that without some visible signs in the short run, the people may lose confidence in the ability of the system to tackle their ills, and opt for more radical and possibly violent changes.

II

Now for my observations and comments.

In 25 years of planned economic development through five successive five-year Plans, the country has had many imrpessive achievements. Foodgrains output has more than doubled itself. The country's industrial output is regarded as the tenth largest in the world. Facilities for general and technical education expanded enormously. Currently over 100 million boys and girls attend schools. Four million students get the benefit of higher education annually. The stock of trained scientific and technical personnel now stands at 2 million—third largest in the world, next only to USA and USSR. The base built for the further expansion and diversification of industry, agriculture, transport, communications, etc. in terms of the physical facilities as well as the human skills has received favourable comment from analysts of the Asian development scene.

There is, of course, the other side to the ledger. Per capita income, for what this standard is worth, is still among the lowest in the world. Unemployment is rampant both in the towns and in the villages. Thanks to the population explosion, per capita availability of foodgrains has remained virtuality stagnant over the past two decades, despite the increase in total output. An estimate made in 1970 using official data on family consumption expenditure put the figure of the percentage of population below the poverty line at 40 per cent to 50 per cent.

A recent ILO study ("Poverty and Landlessness in Rural Asia'—ILO, Geneva 1977) that covered eight Asian developing countries (Bangladesh, China, India Indonesia, Malaysia, Pakistan, Philippines and Sri Lanka) came up with some significant findings. In respect of India the study found that in one state (Bihar) nearly 60 per cent of the rural population now lives in poverty (p. III) in another state (Tamil Nadu), the poverty situation in the early 1970's was found to have been not much better than in the mid-1950's and was actually worse than in the early mid-1960's. This was in a state, as the study points out, whose economy registered during the 1950's and the 1960's a rate of growth which was better than that of the country as a whole and quite commendable by international standards. Nor was growth here neutralised by excessive growth of population. During the two decades the growth of population in the state was much lower than in the country as a whole (1.85 % per annum), permitting significant increases in per capita income (p. 132) There is thus no denying the fact that the dualistic nature of the economy has been getting accentuated more sharply under the impact of 'growth' in the last two decades in India.

a few comparisons

In looking back at what has or has not been achieved in the past quarter century one can attempt comparisons at different levels. One can analyse the data, make comparisons over time and with other countries and bring out points of strength and points of weaknesses. Thus one can cite statistics of growth of output and compare the figures with what was achieved in other countries such as Indonesia, Philippines, Korea or China. Or one can, in a more historical sense, look at rates of growth over the past twenty five years in India against the background of comparative data in respect of the more developed countries at a comparable stage in their development, 50 or 100 years earlier. Alternatively, one can compare actual performance with what the targets that were set down either formally in official documents or informally in terms of what was regarded as desirable in some sense, given the requirements. This latter is the kind of

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ercise that politicians in power do with me nervousness and politicians in position thrive on, particularly on the e of elections! I will not attempt this pe of review in this forum.

What, to me at least, is more fascina-ng is to look behind and beyond the atistics and try and understand the ore basic developments and trends. This admittedly difficult and one that is kely to be coloured by personal bias nd predilections. Nevertheless, I shall enture a few observations.

a quantitative comment

The first qualitative comment I have is hat the economy is now stronger and etter equipped to handle disasters than ven before. When serious food shortages naterialised in the mid-sixties, we found hat, thanks to the investments made in he previous ten years in ports, roads, ailways, storage facilities etc, it was asier to distribute what was available—out of local production and through mports—qiuckly and evenly than would have at all been possible had a disaster of the same magnitude overtaken the country in the mid-fifties. One has to read accounts left by British administra-ors of what odds they had faced in their attempts to tackle famines during their rule—one recalls the Bengal famine of the 1940's in this context—to appreciate what I have in mind when I speak of strength to handle disasters.

Again last year when a severe cyclone wrought havoc in three main rice growing states of south India obliterating whole villages and destroying standing crops over hundreds of miles, the available facilities were adequate to pour supplies and personnel in the affect-ed areas and restore normalcy fairly quickly. For a human being who is prone to periodical infections of the body, it is reassuring to know that one has a certain reserve strength to draw upon in times of crisis and also that one's powers of resistance to infections is itself getting visibly stronger.

It is recognised that by far the most important single factor in the upsurge of agricultural production particularly in the production of major cereals, wheat and rice in the late sixties and in the early seventees in India, as in many other developing countries of this region, was technological. The breakthrough in the form of high-yielding seed varieties was initially made possible thanks to research work undertaken at international research stations. But for a country of continental proportions such as India with its widely varying agro-climatic conditions, a breakthrough originating elsewhere would have had very limited impact but for the sustained and highly crucial adoptive research undertaken in a network of laboratories and field stations spread over different parts of the country by Indian scientists and technologists.

Thanks to the skill and dedication of these workers, the relationship with the outside research establishments for the country has changed in a period of less than 10 years from one of dependence to a two-way mutually profitable partner-ship. The strength of the research establishments, particularly in the agri-cultural sector, is a source of great assurance when we look to the future, keeping in view the huge potential that undoubtedly remains in a range of other crops and in non-irrigated tracts to keep food output ahead of population growth in the decades to come.

self-evident fact

That the demands on technology and the need for technological adaptation will be pressing and immense in fields other than farming is fairly self-evident. I might mention but a few which are relevant to the satisfaction of the mini-mum needs of the people. Housing, textiles, medicine, transport, energy are all areas where great challanges lie ahead to utilise available resources so that even the poorest particularly in the rural areas can lead a decent life. Questions such as the following arise in this context. Can timber, bricks and local building materials substitute for cement and steel in the construction of residen-tial houses as well as public facilities such as schools and hospitals without loss of functional efficiency but at reduced cost to the community? Can available natural fibres be supplemented by suitable artificial fibres so that textiles of adequate quantity and quality and at prices that the poor can afford can be produced in the country? Can the marvels of allo-pathic medicine, which are often beyond the reach of the poor in remote villages be supplemented as appropriate by use of tested indigenous medicare systems, with accent on prevention through education? Can the bullock cart be remodelled so that its tractional efficiency is improved and it takes a reduced toll on the animal as well as the roads? Can renewable sources of energy (solar, wind, waves, methane from biological wastes) be made to play a more dominant role in meeting energy needs than the conven-tional and, from the community point of view, expensive energy sources based on the exploitation of non-renewable resources such as coal and oil?

much to learn

One can add to this list. The point I wish to make is two-fold. First, there are no ready-made answers to these questions even from the narrow point of view of technological adaptation and innovation. India has much to learn from other countries in this respect, particularly from China whose problems of develop-ment are similar in nature and dimen-sion. It has a wealth of experience with-in its own borders that it can draw upon. It has a band of research workers who can be put to this task, provided there is firm leadership and commitment to bring about socially equitable priorities and patterns of production.

The other, and equally important, point is that the solutions will not be merely technological. Certain basic changes in attitudes and social objectives are also crucial if the potential of improved technology, oriented to production and fulfilment by the masses through a reversal of assembly-line techniques for mass production is to establish itself and flourish. Mahatma Gandhi perceived the need for such reorientation and adapta-tion as a means of promoting balanced growth and enhancing human dignity. Mao showed one way of achieving such objectives in the conditions of China and within the framework of a communist philosophy. There are perhaps other ways and methods of mass mobilisation and village level organisation. India is

still searching for viable answers of its own to these questions.

It is in this light that I view the interconnected nature of questions of technology, employment and social transformation. Questions relating to unemployment and underemployment tend to be raised prominently and often vociferously in India. It is easy to understand why. They are direct manifestations of and a constant reminder to the problem of under-development of self-perpetuating poverty. You will often hear the argument in India today that if only the employment situation will improve and incomes of the poor go up, we can get over the current paradox of not knowing how to get rid of a stock of over 20 million tonnes of foodgrains held by the government for over two years now, at a time when millions go hungry and remain mal-nourished. This is a true enough argument. Poverty is not eliminated merely by producing more food, cloth, shelter etc. It is eliminated only when those whose needs of these items are not fully met have also the means, the incomes, with which they can acquire them. And there can be no sustained incomes without regular employment.

differing scopes

But the employment problem in a country such as India, running into hundreds of millions of people, is very different in its nature and scope from the fuller employment problems of an industrialised country. It is not a marginal phenomenon associated with the ups and downs of business, within the country and with its major trading partners in other parts of the globe. It has a more structural origin, and has to do with how available natural resources particularly land and water are owned and utilised, what goods are produced by what processes and by whom, within the context set by existing distribution of assets and the resulting pattern of income. Poverty, particularly in the rural areas cannot be measured by mechanically counting the number of persons declaring themselves to be unemployed. As the ILO study cited earlier puts it: "The very poor cannot afford to be unemployed; they must obtain a source of livelihood even if this implies pitifully low earnings" (ibid; p. 24).

However, unlike what the development theorists told us in the fifties, the answer to this structural malady does not lie in drawing off surplus labour from the villages to work in the factories sector. This can at best be a secondary solution for India. The numbers involved militate against such a simplistic remedy. I would suspect that this is probably true for a few other Asian countries besides India.

limitations of industry

Known production processes in organised large scale industry at whatever enhanced rate at which this sector might grow in the future cannot absorb hundreds of millions of people, most of them with little technical training in new industrial units in a reasonable period of time. The main avenues will necessarily be related to land and its proper utilisation of improved water management and exploitation of other resources in foiests, fish and animal stock through labour-intensive techniques in decentralised production and processing units and in the provision of social amenities.

This brings me logically to the last of the big questions that I wanted to bring up in this context. I allude to the land question. Historical evidence as well as socio-economic theory go to show that we cannot have an equitable rural society grow out of a thoroughly inequitable system of land and water ownership. The last twentyfive years' experience in India serves as an additional point of demonstration of this proposition. To the traditional moral and ideological arguments, technological developments and the imperatives of employment promotion and income generation add a new dimension.

There are many facets to this question. One relates to how the big and the small farmers respectively perform under the existing inefficient modes of cultivation and more generally non-optimal patterns of resource use in the rural areas. Another aspect touches on the factors that could facilitate the majority of the farmers to make a fuller use of the benefits of technological improvements in agriculture, and more generally in r resource management. At least a cursory comments might be in order some of these aspects.

On the first question, there is a wea of empirical data from Asian countr derived from investigations as to wh class of farmers is more efficient in use of land judged by the yardstick productivity per hectare and intensity use of the abundant resource, name human labour. Citing field data fr Bangladesh, India, Indonesia, Malays Pakistan, Philippines, Sri Lanka a Thailand, the ILO study referred earlier concludes that employment hectare rises and yields and value add per hectare rise, as the average size farm declines. The reason given is th small farmers typically use producti technologies, cropping patterns a rotation systems which are more produ tive than those used by large farme Specifically, small farmers tend to cul vate any given crop with more labou intensive techniques. They also tend choose a composition of crop and liv stock activities which is more labou intensive. Finally, small farmers tend use their land more intensively, even the risk of exhausting soil fertility. It often found that as the size of farm i creases, the proportion of the land whic is uncultivated, fallow or natural pasture also increases (ibid; p. 33).

little incentive

Many observers, including Myrdal have commented on the failure of ancien agricultural systems in countries such a India to utilise the available pool o human and land resources with optimum intensity at given levels of technology The reason lies at least partly in the fac that under traditional tenancy arrange ments there is little incentive to maxi mise investments or use of the labou input in agriculture. The landlord with fixed rent on land that he leases out ha little interest in supplying necessary fertilizers or in arranging proper land preparation, drainage, weeding, pes control etc. The ability of the tenant to mobilise the needed supplies and facili ties is also seriously circumscribed by the observed bias among rural institutions to

our the economically rich and the cially powerful. Nor can the demands modern technology in terms of seed eparation, water control, soil conserva-n, pest management etc be efficiently t under a system of small and scatter- holdings. No doubt some of these abilities can be got over through llective or group action. But a society at has been highly stratified socially r centuries and which manages to eserve the economic manifestation of is stratification in the form of wide equalities in asset distribution, does t, as a rule, encourage harmonious llective action on the part of its cons-uents.

Without fundamental changes in the cio-economic profile of the Indian—I ould venture to say of most Asian—rural scene, I see serious constraints on the possibilities of utilising the tools of science and technology to benefit the poor. The poor continue to remain unemployed and are unable to attract scarce public services in education, health etc in their favour, because they are poor. Advances in technology open up new possibilities of changing the incidence of poverty. In the absence of the more fundamental socio-economic changes, however, technological improvements can have the perverse effect of aggravating polarisation and producing embarrassing surpluses in the midst of pervasive poverty.

This, in essence, is what I gather from my experience and perception of the country's eventful quarter century. What I have observed or read about the course of events in neighbouring countries battling similar problems of underdevelopment and persistent poverty leads me to believe that the underlying causes are similar and the approaches to better growth with social justice while being specific to the values and requirements of each country, will need to come to grips, sooner or later, with the type of questions, I have referred to here.

Given this view, answers to poverty need to be sought through internal efforts. But there is scope and need for international collaboration and assistance through sharing experience, skills and resources. For, in the long run, the proposition that poverty among the majority is unsustainable with affluence among a minority is as true among nations as it is valid within a country.

Regional impact of the Iddiki project

E. Narayanan Nair

The Iddiki project is in the news, thanks to a strike by the state electricity board employees who are alleged to have committed a "major act of sabotage" cutting off electricity to most parts of the state of Kerala for a brief period on May 14. This article by Mr Nair who is a lecturer in the School of Planning, Centre for Environmental Planning and Technology, Ahmedabad, is a timely reminder of the regional importance of the project.

N FRAMING a programme of development, here are a large number of decisions o be made. There are, the decisions bout the rate of investment, how igh or low it should be, about the istribution of investment between ategories of how much should be llocated to industries, to agriculture, etc, hen the decision about the location of nvestment, the design most preferable mong the possible alternative designs or a particular project and the related echnical problems.

The points in favour and against an nvestment of this kind cannot be assesed in purely economic terms, nor can decision be based in such an assessment. Consideration of regional development, as well as other social and politi-al value judgments, are also relevant factors. Nevertheless, a technical appraisal with reference to specific economic criteria in a regional development framework will be useful when objectives and strategies of development are laid down.

Generally, evaluation of any project or developmental programme is appraised through the technique of cost-benefit analysis. Benefit-cost analysis applies at the technical level, the product mix, size, location, capital intensity, durability and other aspects of the design of individual projects, enterprises, and programmes of closely related projects and enterprises that the strategy of development has assigned to the public sector. This technique is one of the keys to economic advance and it should be applied as a means of checking investment programmes including broad strategy of regional development.[1]

The cost-benefit Analysis is a tenet of laissez-faire capitatalism, that profit measures the gain which society derives from a project. Profit can be thought of as a necessary feature of any decentralisation of economic decisions. But they may or may not be signalling mechanism for decentralisation of economic decision.[2] They are good only if expenditure closely measures social costs and receipts closely measure social benefits. Moreover this profit mechanism encounters many limitations at the evaluation process of public utilities as such it can be ascertained more easily in a regional impact perspective.

Benefit-cost as a project evaluation technique in Indian planning ought to differ from its American cousin. Investment criteria for the public sector should be explicitly related to the objectives of growth and these criteria should come into play in the drawing up of project plans.[3] Perspective and five-year Plans which determine the broad strategy of growth embodied in the plans leave many tactical questions unresolved, and it is these tactical decisions that are the province of cost-benefit analysis.

For benefit-cost analysis to fulfil this role, planning must proceed through successive stages of setting objectives, allocating resources among sectors, and determining the criteria for designing indivi-

How medicines can be made available to all our people

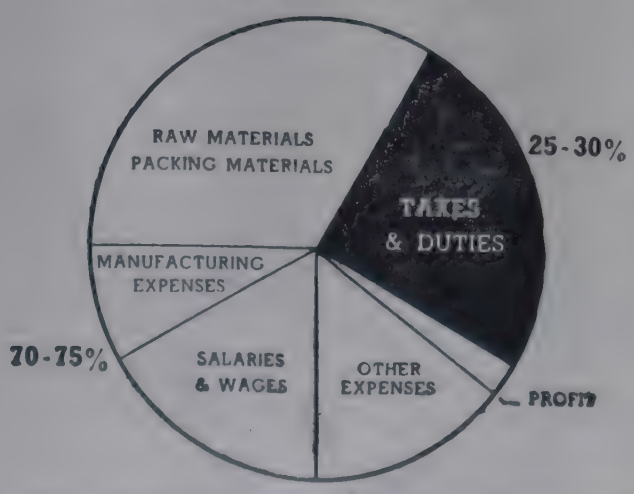
To make medicines available to all our people the following fundamental steps are urgently called for:

● All restrictions on production should be removed so that there will be higher production, better economies of scale, more competition and lower costs and prices.

● Taxes and duties totalling Rs. 160—Rs.190 crores per annum, which constitute about 25—30% of the price consumers pay for medicines, should be removed or substantially cut so that prices could be immediately brought down.

● Since large sections of our people may not be able to afford even these reduced prices, the Government will have to consider subsidising them or even giving medicines free, at least to the poor.

OUT OF EVERY RUPEE YOU PAY



Excellent Record

The pharmaceutical industry in our country has an excellent record of producing quality medicines, at prices that are among the lowest in the world, and making them available to our people when they are needed where they are needed.

However, it is subjected to a number of rigid controls and restrictions—far more than on any other industry. These have resulted in slowing down and even retarding the industry's growth. Our requirements for more production and lower prices are great in the next 5—10 years. So is the need to move away now from the stifling controls and the resultant stagnation. To an era of dynamic, healthy growth

Common Objectives

The industry is eager and willing to work together with the Government in meeting the national objectives in health and medical care. To make medicines available to all our people.

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MARKS/OPPI 8

ıal projects. The essential point is the nsitivity of the specific criteria to the ans and ultimately to the mix of objecves underlying the plan. By modifying e relative emphasis of different objecves one must change both the strategy f the plans and the tactical criteria for roject selection.

This scheme does not rule out feedack from project selection to the objecves themselves. Since the relative mphasis among the objectives, the plans nd the investment criteria must initilly be set in the absence of technologial information, that becomes available nly as the criteria are implemented, the rocess of implementation might suggest evisions all the way up the planning adder.[4]

criteria for evaluation

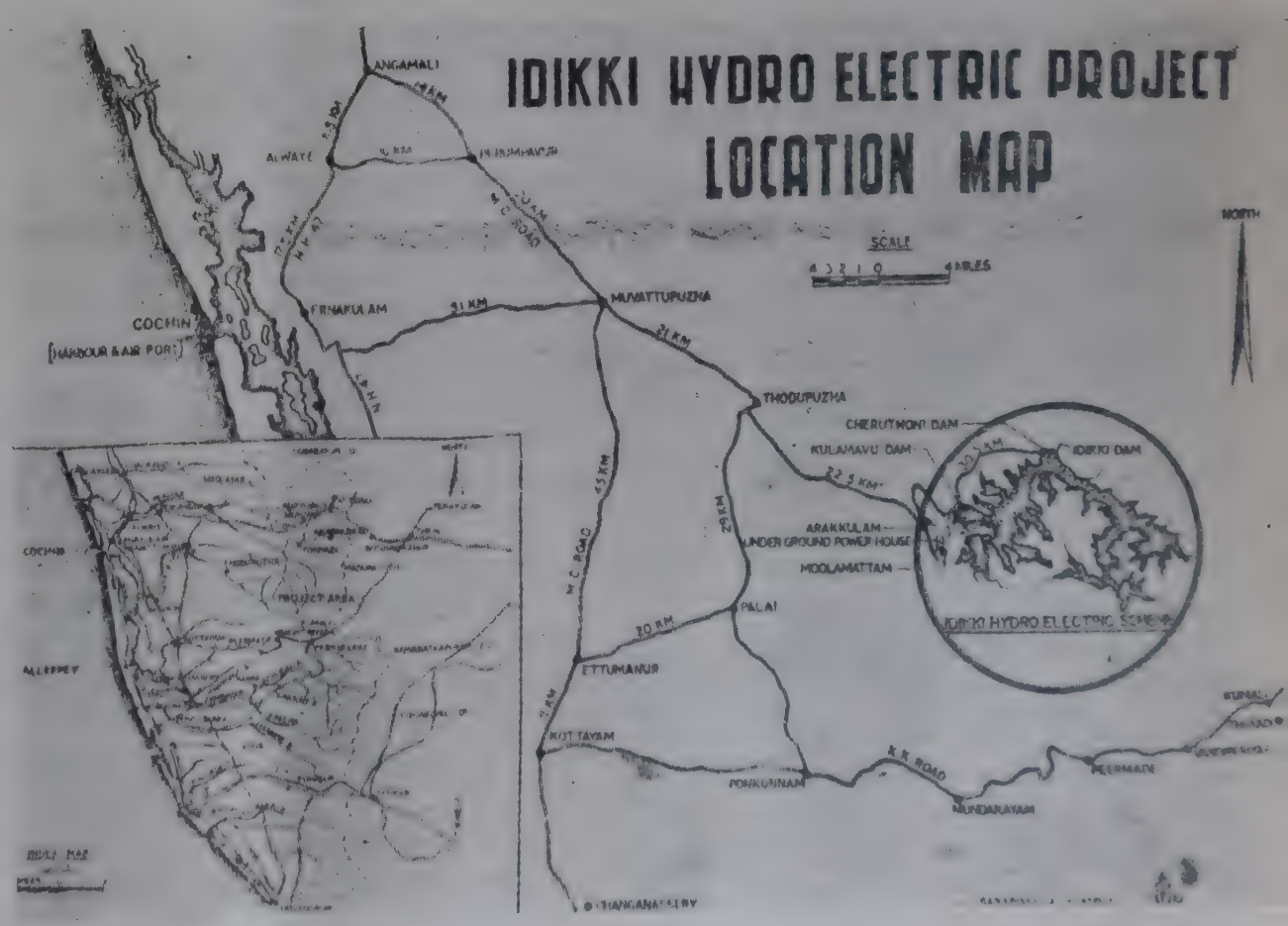
Economists have been debating over the criteria to evaluate public utilities, Still broad criteria like financial return, employment, and time are taken as the base. Even though there are limitations in applying the purely profit oriented approach there has been reluctance to abandon this yardstick. While concessions of one kind or the other are usually given, the financial returns on the invested capital still form the basis on which the economic merits of alternative schemes are assessed. In India the conventional norm in regard to irrigation and electricity schemes has been to have a return of at least four per cent on the capital invested within 10 years of their completion.[5]

Employment has, in this context, come in for a good deal of attention as possible criterion. The reasoning is understandable, since idle manpower has to be maintained by the society in any case at some minimun level of subsistence, and the opportunities for productive employment are limited by the backwardness of such economic investments which draw up on this manpower are to be preferred, even on economic grounds, to those which do not. The implication is that the real cost of labour employed on investment projects should under these conditions, be taken as lower than expanditure which will actually have to be increased.

Time as a criterion for public project evaluation has come in for a great deal of discussion in Soviet Union as well as in western countries. The traditional reasoning in this regard has been that, since individuals prefer present to future satisfaction a discount has to be made for time. The argument advanced against this is that, while individuals may have defective telescopic vision and, may, therefore, be inclined to discount the future, but there is no reason why a society should do the same. To provide food for tomorrow should be no less and no more important, other things being equal, than to provide food for today in any national planning policy.[6] But this does not answer the problems. Care should be taken to see that scarce capital in an underdeveloped country will not be locked up in projects which takes large time to mature.

The evaluation of public utility projects has to answer many social costs and benefit problems. In the case of public utility project evaluation, the social aspects receive much importance than the profit or financial return aspect. This is mainly because public utilities are meant for economic development and general welfare. In this case the social cost problems gain vital importance and we have to evolve crieteria carefully. K.N. Raj has stated rightly the need to establish criteria for estimating ; (1) The difference between the private and social costs of the labour employed in the project; (2) The difference between the private and social costs of the material used in the construction of the protect; (3) The difference between private and social costs of depreciation[7].

The concept of regional development and regional balance gained importance in Indian context only after the second five year Plan. This has stimaulated the decentralisation approach in planning. But there are many limitations in the formula- of regional development goals and objectives. A number of regional goals may exist and they may not be compatible with each other, there may not be a consensus on the ranking goals among various groups within a region[8] and pursuit of maximisation of regional welfare function may or may not be consistent with the maximisation of welfare function of the nation.[9] In spite of these limitations regional planning aims at the reduction of regional disparity be exploitation of resources and developmental feedback. But this should be made clear that exploitation of regional resources does not mean exploitation of



resource of national growth without any feedbacks. Hydel projects are typical in character as far as feedback is concerned. Since power can be transmitted over long distances, its impact may not be fully felt in the region, on the contrary it may consume much of that particular regional wealth. In this case technical alternatives to accommodate regional development should be persued and project feedback to the regional development objectives should be ascertained.

Before embarking on the project evaluation it is better to have an understanding about the supply and demand position of power in Kerala.

Nature has endowed the state with rich potentialities for hydropower, which when harnessed, will compensate to a large extent the deficiencies of other energy sources. It is estimated that the total hydro-power potential in Kerala is of the order of 3,000 mw at 60 per cent load factor; of this only less than 12 per cent is harnessed, With the commissioning of Iddiki, we would exploit about 33 per cent of total hydel power potential.

There were four hydro-electric stations in the state by 1960-61, at Pallivasal, Sengulam, Neriamangalm and Peringlakuthu with a total capacity of 147.5 MW.

The four together generated 581.8 million units during 1960-61, the combined maximum demand on them being 116.3 MW, the daily, monthly and annual load factors in the system are 72 per cent to 78 per cent, 69 per cent to 73 per cent and 58 per cent to 63 per cent respectively.

TABLE I

Power Installations in Kerala (1970-71)

Sr. No.	Project	IC	FC
		MW	MW
1	Pallivasal H E project	37.5	32.5
2	Sengulam	48.0	36.0
3	Poringalkuthu	32.0	32.0
4	Neriamangalam	45.0	45.0
5	Sholayar	60.0	54.10
6	Panniar	30.0	15.0
7	Pamba	300.00	250.0
8.	Kuthiyadi	45.0	15.0
9	Iddiki	500.0	355.0
	Total	1097.5	835.0

Source: Iddiki Hydel Project Feasibility Report.

(For details on power development in Kerala See E.T. Mathew "Power Development in Kerala", *Social Scientist*, Sept. 1977.)

TABLE II

Estimated Demand of Power—Categorywise (1960-1966)

(in MW

Sl. No.	Item	1960-61		1965-66	
		Day	Night	Day	Nig
1.	Domestic and commercial	5.1	25.2	11.1	50
2.	Public utility	—	3.4	—	5
3.	Small & medium industries	36.4	9.1	44.9	44
4.	Heavy and large industries	85.4	85.4	242.8	242
5.	Irrigation, etc	15.1	3.8	25.1	25
6.	Water works	1.1	1.1	1.5	1
7.	Provision of unforeseen loads	—	—	36.0	36
	System Total	128.5	115.1	325.3	365

Note: The demand in 1971 is not being estimated.

Source: Iddiki Hydel Project Feasibility Repo

The demand and supply position of power in Kerala shows that Kerala was having surplus from 1970-71 onwards. Even though between 1961-65, industrial demestic and commercial consumption of power increased very much, Kerala was enjoying surplus of hydel power. In 1970-71 this surplus was about 28 per cent taking only 355 MW of power from Iddiki. But the completion of all the three phases of the project and the full capacity of 780 MW will result in a tremendous surplus of electricity.

Bold in conception and magnificent in executon, this mamoth project has a number of firsts to its credit. The project harnesses Kerala's biggest river—the epic Periyar— is the biggest project undertaken in the Kerala state, the arch dam is the first of its kind in India; the Iddiki power house is the largest underground power house in India; the concrete dam across the Cheruthoni tributary is the largest in Kerala. Yet another creditable point is that the project's foreign exchange content has been pegged down to a base 10 per cent and ranks the lowest for such projects.

In brief the project envisages:

1. The creation of a reservoir of gross capacity of 74,400 million c.ft. (2 million tonnes) to regulate the yield (250 sq. miles of catchment below the exis ing Periyar dam by the construction three high dams—one across Cheruthon other across Periyar at Iddiki gorge ar the third across Kilivalli, Thodu Kulamaur.

2. The diversion of the waters th impounded into the adjacent basin Muvatupuzha through a water conduct system consisting of a power funnel an two pressure shafts, to an undergroun power house for generation of 230 M at 100 per cent load factor (780 MW power at 30 per cent of load factor).

3. The discharge of tail race throug the funnel and then a channel of Vali and tributary of Muvattupuzha.

4. The transmission of energy throug a double circuit, 220 kv line to Kalame ssary, a single circuit 220 kv to Pallam i Tamilnadu and another single 220 k line to Mysore.[10]

The estimate of the project when th scope was enlarged and revised in 196 was Rs 68.20 crores compared to th Central Water and Power Commissio scheme September, 1961 of Rs 49.23 crore which the Planning Commission sanction ed in January 1963. Due to escalation i the prices of materials and other reason the project cost was estimated in 1976 a Rs 110 crores, compared to the revise project financial estimate of 104 crores i 1974 (see Table III).

The base study on Iddiki project an the power development in Kerala impres

ne to ask if Iddiki was really necessary r the regional development of Kerala. erala is an already power-excess state, hy does the Kerala State Electricity oard (KSEB) have to spend its money n a long-term investment when its dis-ibution system is a shambles, there re current fluctuations and frequent ower failures. The KSEB is like Alice; has to run to stay in the same place.

A good portion of the cost of construc-on is from loans and allocations from ate plan, but at the cost of other pro-cts. A great deal of it is from the elec-icity consumer in Kerala, at the cost of ne distribution system.

What is the solution? The answer sually given is not convincing in the egional context.There is enough power n the white oil of Kerala rivers to feed ne industries of the entire south for the orseeable future. Tamil Nadu, Andhra radesh, Karnataka and even Maharash-tra can thrive with the power that throbs from Kerala's hydel generations.

Is this a good answer in the regional context under which the justifications of KSEB's long-term investment is being asked?

This article does not deal purely with the economic cost-benefit analysis. Here an attempt is made to evaluate the project on the basis of the socio-economic impact generated for the regional economy. The technical feasibility study done by the project experts takes into consideration full details about the project technicalities. So we thought it would be interesting to study this project within a regional impact framework. The main objective is to see whether the project satisfied the objectives and premises of regional development.

In the case of Iddiki hydel project several aspects of it would raise issues of considerable importance. For, the project outlay is large and the period of construction long, the scope of manpower utilisation is limited since works are mechanised and concretised, on account of policy decisions. Moreover, the supply of water for irrigation schemes is not co-ordinated with the present project, a good percentage of power is to be transmitted to outside the region and the regional development envisaged as a result of local material demand for the project did not realise.

The implications of these factors clearly deserve to be persued and judged along side the merits of the schemes in a regional impact framework.

The project report, on the basis of which the investment decisions are taken, give certain standard technical details and some estimates in very general terms on the probable benefits. This is understandable because, the criteria necessary for such an appraisal can be derived only with reference to the objectives and premises of the larger developmental process and these have not been clearly stated. Even with a clear picture of these objectives and premises the choice of appropriate investment criteria is by no means easy, and their application to concerete cases presents still more baffling problems.[11]

TABLE III

Escalation in Costs of Iddiki Project

Sl. No.	Item	First estimate in 1968 (Rs lakhs)	As per revised in 1974 (in Rs lakhs)	Percentage distribution in 1974
1.	Preliminary	50.00	97.00	0.93
2.	Land	114.00	242.00	2.32
3.	Works	3786.94	5985.87	57.42
4.	Building	250.00	350.00	3.36
5.	Plantations	4.00	7.00	0.07
6.	Miscellaneous	120.00	220.00	2.11
7.	Communications	240.00	370.00	3.55
8.	Soil conservation	10.00	20.00	0.19
9.	Maintenance during contruction	35.00	56.00	0.54
10.	Special tools and plants	268.96	375.00	3.60
11.	Losses and stocks	10.00	15.00	0.14
12.	Electrical works establishments	378.63	845.00	8.11
13.	Production and transmission	1483.87	1647.00	15.00
14.	Tools and plants	123.46	185.10	1.77
15.	Receipts and recoveries (—)	126.64	126.97	1.22
16.	Capitalisation and abatement of land revenue	7.00	42.00	0.40
17.	Audit and accounts	53.00	60.00	0.58
	Total	6820.80	10424.90	100.00

Source: Iddiki Hydro-electric Project, Financial Report

lack of data

In the following pages an attempt is made to evaluate the main criteria in the context of regional development process. Lack of quantitative data force us to get satisfied with qualitative and informative inferences in various instances.

As stated earlier the location of the dam was decided technically and scientifically. The conceretised arch dam at Iddiki is justified on technical points, the stress it would be subject to in view of the volume of water it has to hold in the reservoir, the nature of the gorge, as well as the economy in cost. Even the earlier proposal of 1961 by the Planning Commission, under which it has sanctioned Rs 49.23 crores for the project, states that it should be concretised. Because of its mechanised nature the scope for labour utilisation is limited, even the maintenance staff is also less since everything is being automatised.

Cheruthoni dam is the highest damin

India next to Bhakra dam. The design of this dam was changed from a rubble masonry dam in 1961 proposal to a concrete dam in 1966 resulting in an upstream shift of site by 800 feet. This proposal said that it should be mechanised. The shift in site was in view of the reservoir and the stress it may have to bear. Cost-wise also it consumes much of finance, while the cost of Iddiki Arch Dam was only Rs 9.50 crores, Cheruthoni Dam cost Rs 25.50 crorers in January 1976 and still is not completed. It is clear that no attempt was made before deciding the changed design about the employment absorption criteria, which badly limited local manpower and material utilisation.

The next dam, located along Killivali Thodu at Kulamavu was designed in 1961 as an earth-filled dam. But it was changed in 1968 into a masonry dam. The main objective of this dam for being masonary was to provide employment to local people and utilise local construction materials like stones, mortar, etc, which are available locally in plenty. But this ran into heavy weather from the outset. The decision of the government to make it a concrete dam after the famous labour strike of 1971 was really unfortunate from the regional economic development point. Since this dam unlike that of Iddiki and Cheruthoni dams does not have to bear much stress, and technically this change is not warranted, the decision of the government to concretise this dam is defective and shortsighted. This switch over is not justified in terms of gestation period since this dam has not been completed so far.

many losses

The workers' strike in 1969 has resulted in many losses. This has compelled the authority to prolong the first phase of work by two years, adding a loss of Rs 18 crores worth of power with an interest rate of Rs 5 crores. Also the inflation, wage increase and rise in general price index has enhanced the burden. During the strike, 2,200 tonnes of cement worth Rs 450,000 was spoiled. The strike also caused tremendous soil siltation during rainy seasons.

Out of the whole project only Kulamavu channel construction employed considerable labour. This work was taken up under the supervision of KSEB.

The total envisaged employment utilisation for the whole eight years of project construction was 53,84,298 and about 95 per cent of it constitute Mazdoors and Masons[12]. The importance to this category of workers was given due to the proposed masonry dam at Kulamavu instead of the present concrete dam. This change in design must have lessened the labour absorption by 50 per cent[13].

This kind of employment associated with investment has certain characteristics. In the case of a hydel project the share of employment when compared to the irrigation project is less. The study of Bhakra Nangal project shows that the share of employment of labour highly related to the expenditure on construction of the canal system[14].

Since Iddiki project did not envisage any irrigation system, we cannot expect this possibility of labour utilisation directly generated from this project.

boost to economy

The project envisaged that because of the demand generation of employment and construction materials the regional economy would get boosted. It also anticipated that the new demand pattern would give rise to new activities and the availability of cheap power and water in Muvatupzha river will attract new industries in Kerala, especially along this river. But this envisaged impact have to be taken with skepticism by seeing the pattern of industrialisation in Kerala and also the resulted regional impact through this demand factor.

The project work demanded one lakh tonnes of cement for dam construction. The construction also demanded a good amount of steel, fly ash and granite, Among these only granite is available in the nearby vicinity. The reqired cement and steel are supplied from Tamil Nadu and the fly ash which will substitute 10 per cent of cement is supplied by the industries outside Kerala. This impact of development must have multiplier effect in Tamil Nadu or elsewhere. The only industry in Kerala that got benefitted is the Kundara aluminium factory which has agreed to supply the necessary conductors for power transmission lines.

socio-economic impact

The socio-economic impact on the people living in the project area is negligible. The project area was uninhabited before the project started, except some few tribal families and 20 migrant families. These tribals were not willing to work in the project in its initial stages, but slowly their consumption behaviour and attitude towards work and social interaction got changed positively. This is one of the contributions of the project to the social transformation of the local tribals.

Even though the project architects envisage a picture of irrigation facilities for 150,000 acres of land through the tail race water discharge from the generators, this has not yet materialised. Since the irrigation work is a time consuming one and the canal work is much expensive, this irrigation facility would not be available to benefit the region in the near future. Moreover since the project has already started functioning, the presently discharged water of 1,000 cusecs to the Nacha river is being wasted.

If this project also includes the irrigation system, instead of the Kerala public works department seperately taking res

nsibility of it, this work could have en completed simultaneously with good ordination between dam and canal nstruction. This mono-purpose execu-on is due to the part played by KSEB the sole authority of the project. This ings forth the need of a decision mak-g body at the regional level and the ate government could have formed a perate project authority, co-ordinating ne power and irrigation projects, with ne objectives and premises of regional rowth as the main criteria for project esign and implementation.

redundent labour

By 1974 it is estimated that approxi-nately 8000 labourers were working in he project except engineers. Since the project is coming to an end, the relieve-ment procedure of workers have already begun by relieving 1,500 workers in 1975. During 1976 another 4,000 workers re-ceived notices. The state government is thinking of saving these workers by start-ing the third phase of the project[13] and also by starting the Edumalayar and Salantivali projects.

It is clear that in this respect the government should take a positive and broader outlook of providing employ-ment and promoting regional growth. Irrigation projects and road construction within the district is a potential area for providing employment. Though there are good roads connecting Iddiki with other districts of Kerala, communication is faster and economical through Tamil-nadu. This has taken away much of Iddiki's commerce and trade inflicting a great loss on Kerala's economy, with lack of utilisation of Cochin port and other business centres of Kerala for commerce. But the setting up of the Iddiki district headquarters at the project site can in-fluence the future development of this region.

The evaluation of the project in the regional context has to take into account the technological changes in the environ-ment. Many ecologists think that the recently reported three earthquakes and the change in weather conditions are indications for the environmental trans-formation in the region. The proposed tourism development has to be studied with these environmental changes in view.

The above analytical study of the im pact evaluation of the Iddiki hydro-electric project brings forth the fact that this pro-ject is a great boon for the economic development of the southern states, including Kerala. But the lack of vision about the regional development frame-work clearly shows that the project can-not be fully justified in the context of regional development. Accommodation of regional development objectives in the designing and implementation of the pro-ject becomes inevitable. It should be specified that, if a particular project does not promote regional development as was envisaged, alternative policies should be formulated to stimulate regional deve-lopment.

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15. The third phase of the project envisages the diversion of Kallar and Rettanpor waters to the Iddiki reservoir for generation of an addi-tional 43 MW of power at 100 per cent load factor at the power house using the plant capacity of 780 MW available at the station. This in-crease in estimated cost is Rs 8 crores.

Eastern Economist 30 Years Ago

MAY 28, 1948

The conversion issue of 2¾ per cent 1962 loan announced by the Government of India has an element of surprise in it in that, while there was general expectation of a loan announcement, nobody quite succeeded in anticipating correctly the nature of the new loan. For one thing the general expectation was that the new issue would be a cash-cum-conversion affair whereas actually it is purely a conversion loan, subscriptions being acceptable only in the shape of the 2¾ per cent (1948-52) loan which is under redemption. The loan will be open for subscription from June 1 and will be closed as soon as subscriptions amount approximately to Rs 35 crores, in any case not later than June 5. It would appear that the amount of the 2¾ per cent (1948-52) loan held by the public is about Rs 35 crores. The aggre-gate is Rs 87 crores, but a considerable portion of the total outstanding amount is held by the Re-serve Bank. The chief merit of the terms of the new loan is that it makes it possible for the Government to throw out a feeler to the security market without at the same time revealing their hand. A 2¾ per cent short-dated loan, for instance, may commit the Government to the maintenance of cheap money and while it may have a good tonic effect on gilt-edged prices in the not improbable event of its turning out to be successful, it will at the same time be in the nature of a rather risky enterprise in the present mood and circumstance of the capital market. The re-issue of the 2¾ per cent (1962) loans does not commit the Government to anything. It preserves the 'status quo' of the interest basis and the response from the holders of the loan now under redemption will enable Government to judge the feeling of the capital market and frame their sub-sequent loans in a suitable manner. With the Kashmir and Hyderabad issues generating a cer-tain amount of political uncertainty, it is the part of wisdom to feel one's way carefully and that is what exactly the new issue seeks to do.

Consumerism in European Economic Community

Dr R. S. Nigam

According to the Treaty of Rome, consumer is regarded as one of the main beneficiaries of the establishment of the Common Market and the Community has a special responsibility to see that the benefits of economic integration are not confined to producers and business firms but are shared by the general public.

THE ESTABLISHMENT of the European Common Market in 1958 and its enlargement in 1972 have benefited producers and manufacturers in the nine member countries of the EEC by opening the way to profitable form or trans-frontier cooperation and giving access to larger markets than merely national ones by eliminating all tariff and non-tariff barriers and establishing common tariffs for outside world throughout the Community. This process has resulted in concern for protecting the interests of consumers, and the Community has a special responsibility towards the consumers so that the benefits of

WINDOW ON THE WORLD

economic integration are not only confined to the producers and business firms but are also extended to the consumers and general public. With this in mind the Council of the European Economic Community adopted a preliminary programme of the EEC for a consumer protection and information policy on April 25, 1975.

The EEC commission has also formulated on October 14, 1975 proposals in the field of consumer protection which relate to the approximation of laws, regulations and administrative provisions of the member states concerning liability for defective products. On January 29, 1977, the commission requested for a council directive to protect the consumer in respect of contracts which have been negotiated away from business premises. The motivation for these proposals was provided by the European convention on the judicial and quasi-judicial missions of consumer protection which was held from December 10 to 12, 1975 in Montpellier at the initiative of EEC Commission with the cooperation of the Faculty of Law and Economics, and a colloquium (December 23, 1976) of consumers' organizations was organised by the EEC commission in Brussels. At the colloquium, the commission had invited consumer representatives and national government agencies responsible consumer protection, and this provided an opportunity to take stock of what the Community had done on behalf of consumers and also exchange views between consumers' representatives and government agencies on this issue.

The EEC's preliminary consumer protection programme was geared to the study of the following systems and legislation:

(i) The systems of assistance and advice in the member states;

(ii) Systems of redress, arbitration and the amicable settlement of disputes existing in the member states;

(iii) The laws of the member states relating to the consumer protection the courts, particularly the various mea of recourse and procedures, includi actions brought by consumer associatio or other bodies; and

(iv) Systems and laws on these matte in certain third countries.

It is widely felt in the EEC that th legislation in the member states concer ing judicial and quasi judicial consume protection needed to be improved, part cularly in the following areas:

(a) Extending consumer education an information;

(b) Strengthening conciliation bodies o every kind;

(c) Setting up or extending the power of arbitration bodies;

(d) Simplifying and humanising tradi tional procedures; and

(e) Making a specialised organisation responsible for consumer protection.

I

By providing pertinent information, an attempt should be made to achieve a situation in which an individual consumer knows his rights. Although consumer apathy is quite often a problem in this area, it largely depends on the consumer himself whether and to what extent he takes advantage of the information provided. At present the information that is offered in the EEC is only used by the consumers to a limited exetnt and socially week consumers are not even aware of the sources of any such information.

Proposals have been made by various concerned regarding better and effective information and education services to the consumers in the form of the following measures at the Community level:

(i) Member states should develop introductory courses on consumer affairs

schools and organise special courses to in school teachers;

ii) University courses on consumer should be encouraged;

iii) Member states should introduce nsumer information schemes using all ailable methods—radio broadcast, tele-ion programmes, and features in the ass circulations, newspapers and specia-ed publications;

(iv) In the field of product informa-on, consumer organisations, ministries government departments responsible ould publish detailed information sheets consumer rights regarding specific roducts and certain economic or legal ases;

(v) It would also be useful to distribute the consumer specific information put ut by the supplier or producers, covering ny particular ingredients or composi-ions, directions for use and dangers of he products as well as some legal infor-nation;

(vi) Consumer advice centres should e set up throughout the Community with he main task of giving factual answers to consumers' letters and to questions by elephone and from personal callers; and

(vii) To supplement the consumer advice centres which are chiefly concerned with consumer problems, Citizens' Legal Advice Bureaus ought to be set up to deal with citizens' personal problems in general.

consumer education

Radio and television programmes for consumers' education and information may take the forms of news flashes (two to ten minutes) broadcast at peak listening/viewing times, half-hour programmes aimed at housewives or elderly listeners broadcast in the afternoon, and programmes aimed at special groups of consumers. The daily press may also devote more space to comparative surveys of goods and services and other general consumer topics. In the specialised press, a regular section may be included for consumer information containing articles on utility, prices, availability, servicing, etc. In the EEC, certain periodicals are solely devoted to consumer information like 'Which', 'Que Choisir', '50 Millions de Consommateurs', 'Consumentengids' and 'Taenk'. It is felt that these periodicals have limited circulation and as such their benefit is not available to weaker consumers. Effort should be made to increase the readership of these by distributing it free of charge in citizens' advice bureau, travel agencies, at trade fairs, exhibitions, railway stations, airports, etc.

Law Bus

In order to improve the effectiveness of consumer advice centres, mobile units could be set up to provide consumer advice on special events and to reach the many places where it may not be feasible to open permanent centre. Example of this type of arrangement is the University of Oslo's legal assistance scheme, called *Law Bus* which was started in 1971 and has proved very successful.

This *Law Bus* is a mobile legal information service for consumers and is run by a group of 20-30 law students and law graduates, working on a regular basis. It has three main aims:

(a) To provide the general public with legal assistance;

(b) To enable an organisation to be made of the pattern of demand for legal assistance in the society; and

(c) To give students some practical experience in law to supplement their academic studies and training.

In the EEC, at present two models are generally favoured in setting up citizens' legal advice bureau. They are the British Law Centres and Citizens' Advice Bureau, and the Dutch 'Wetswinkels'. There are about 600 citizens advice bureau in Britain staffed mainly by part-time voluntary workers. They advise consumers on legal questions and maintain very detailed information on current consumer inhabitants of poorer areas with as complete a range of legal services as possible. In the Netherlands there are at present about 100 "Wetswinkels" (law shops) situated all over the country. They cater mainly for those who cannot afford to consult a lawyer and pay his fees. Until now these law shops have been financed by donations and subsidies from public and private bodies. In view of their success and utility to promote the interests of the weaker section of the society, attempts are currently being made in the Netherlands to institutionalise this system of legal aid. Working party set up for this purpose has recently made the following recommendations for improvements, which it is felt could be of use to the EEC as a whole with a view to setting up similar organisations:

(i) Bureau to give preliminary advice should be easily accessible;

(ii) These bureaus need a central organisation;

(iii) Specialised services should be set up for specific branches of law as well as a research department; and

(iv) Such organisations should be financed by the government in conjunction with the legal aid system and provided with permanent staff.

In their operation, they may aim at:

(i) Giving an independent opinion;

(ii) Informing the citizen of his legal position;

(iii) Advising him on the decisions to be taken;

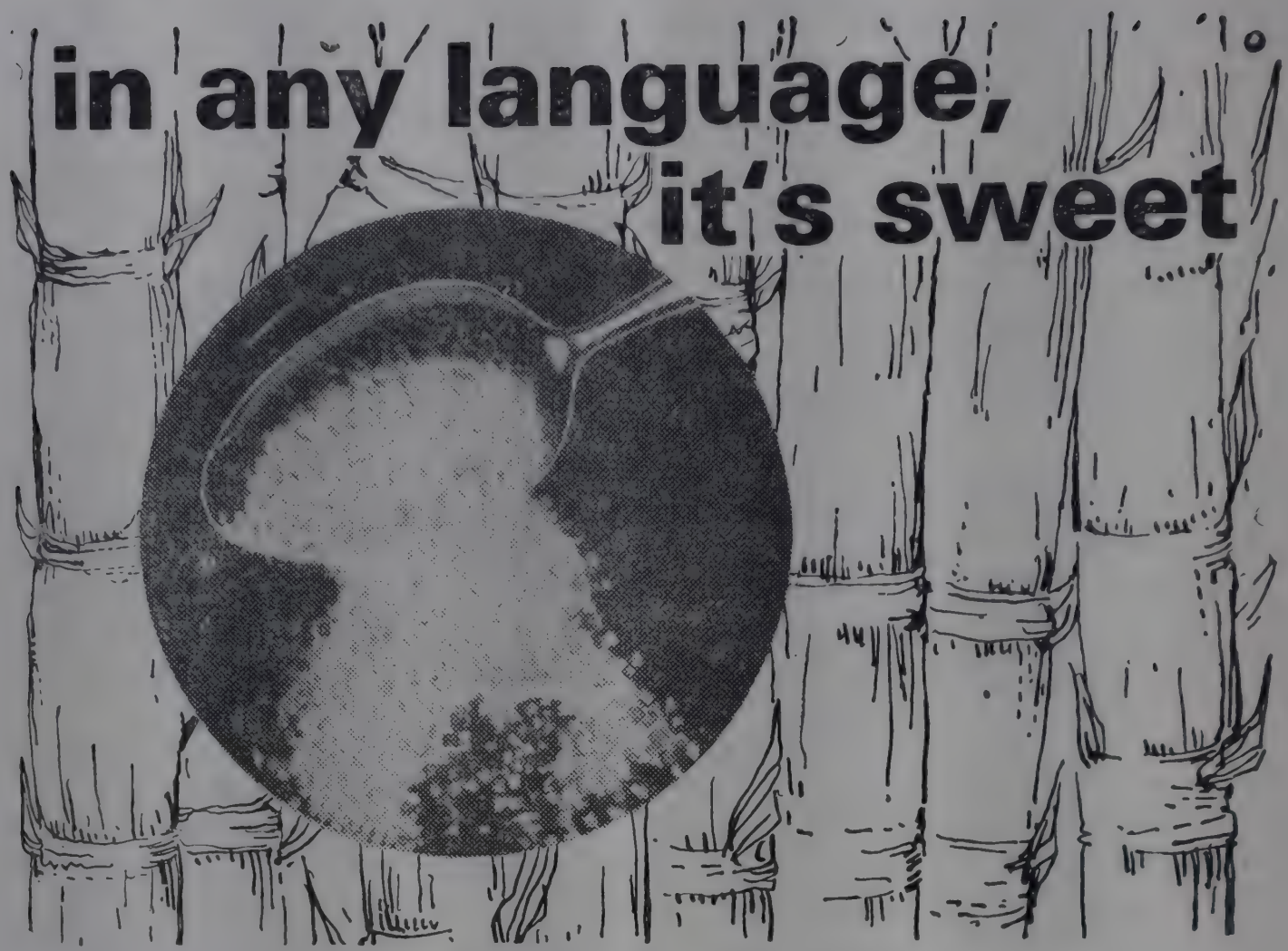
(iv) Defending the citizen possibly by initiating legal action;

(v) Helping the citizen when courts' decisions are executed; and

(vi) Attending to non-legal problems.

II

It is widely recognised all over the world that recourse to legal proceedings to settle consumers' disputes is not a satisfactory solution, because the process is cumbersome and very expensive as compared with the often minor injury in question. The delays and the technicalities of the court procedures are such that ordinary consumers have almost lost their faith in the efficacy of legal proceedings, and as such it is considered simpler and less costly to set up conciliation machinery. By way of preventive action, conciliation bodies can make ethical agreements with producers and suppliers to eliminate, in advance, disputes with consumers or at least make them less likely. On complaints from consumers regarding irregular commercial practices, a conciliation body must be able to approach the firms concerned and ask them to put a stop to the practices in question drawing attention, if



In old French it was called ZUCHRE. In Arabic and Persian it is SUKKAR and SHAKAR respectively. It is SHARKARA in Sanskrit and SAKKHARON in Greek.

One does not have to be a scholar to notice the evident phonetic resemblance of the words. It is perhaps not surprising, since all of them mean the same thing—SUGAR, the universal sweetening agent which in some form or other has been known to mankind from the neolithic age.

Today SUGAR usually means crystalline sucrose—the kind you use in your home every day. It is an essential item in your diet with a high energy value of 1,794 Kilocalories per pound. There is no other satisfactory substitute for sugar.

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Manufacturers of condensed milk and quality confectionery
Oil mills, Chandausi (U P)
Manufacturers of groundnut oil

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d be, to the fact that they are illegal
l could give rise to mandatory sanc-
ns.

The main task of such conciliation
lies consists of amicable settlement of
putes between consumers and pur-
vors of goods or services. It is diffi-
lt for a consumer who has good reason
bring a complaint against a firm to
opose a friendly solution to the dispute
his own account as this would put
m to a disadvantage in relation to the
posite party. On the other hand, it is
uch easier for a conciliation body to
opose a friendly settlement which takes
count of the interest of both parties.
his type of amicable agreement which
not legally enforcible, differs from a
nciliation decisions some times handed
own by the courts, like those in France
here a judge proposes a settlement
hich both parties accept. The most
fective conciliation machinery exists in
weden called the "Complaints Office"
hich was set up in 1968. Although
nanced by the ministry of Commerce
nd hence free of charge to the consu-
ners, the complaints office is an autono-
nous institution which endeavours to
vork out principles and find solutions
cceptable to both the parties. The staff
f this office is recruited and paid by the
nain consumer organisation in Sweden,
he National Office for Consumer Policy.

complaints office

The complaints office has a chairman and six judges and can also engage technical experts and laboratories to carry out tests on commodities. The statutes of the office require that, at a consumer's request, it may examine any dispute over goods and services between the consumer and a supplier and decide how, in its opinion, such a dispute should be settled. Although decisions of this office are not legally binding, (they are only recommendations), but in an average of 85 per cent of cases they have been found acceptable by both the parties. The public submit complaints to the office through its secretariat by telephone or letter or by calling personally and the office tells its decisions in writing and also issues forms for complaints about various kinds of goods and services. It is widely felt that the Swedish model is the most appropriate one and can very well be adopted by the EEC for Community-wide consumer protection. The EEC commission has yet to indicate its acceptance.

III

In several countries, such as Denmark, the Netherlands, Switzerland, the USA, etc., there are arbitration bodies to settle minor disputes, including consumer grievances, in order to relieve pressure on the courts. This kind of arbitration is much less costly and quicker as compared to the legal proceedings. Moreover, as arbitration bodies are generally organised according to trades, the problem of expert knowledge is greatly simplified. The responsibilities and powers of these bodies vary from country to country and their decisions are not always binding or only becoming enforcible after a higher authority or a court becomes involved.

The EEC commission has pointed out that these existing arbitration systems need harmonisation at Community level particularly in regard to their organisation, their power and their mode of operation. It also needs to be established under what conditions arbitration awards could be enforcible and in what circumstances the enforcibility would be subject to confirmation. The EEC Commission has formulated certain proposals regarding an arbitration procedure under which provision could be made for one sole arbitrator who would have to be independent and preferably a lawyer. Another possibility would be a *Collegiate System*, under which there would have to be equal representation in order to safeguard both sides.

It is felt that the arbitration procedure could vary according to the amount at stake. Disputes involving small claims could be settled by sole arbitrator whereas more important cases may require a joint arbitration committee, unless, of course, the two sides preferred to settle their dispute in the ordinary courts. So far, the EEC commission has not put forward before the council a proposal for a directive along these lines but it is expected that very soon such proposals would be formulated and submitted to the council of ministers.

IV

There is an urgent need to improve ordinary legal procedures independent of the conciliation and arbitration procedures indicated above. As pointed out earlier, the court procedures all over the world are costly and time consuming and as such are not very much favoured by the weaker section of the society including consumers. It is felt that way should be found of simplifying the procedures and making them less expensive and less time consuming. Some EEC countries have already set up or are planning to set up new legal machinery to safeguard consumer interests in minor cases on the lines of a small claims courts in the USA, the County Courts in Britain and the Swedish Law of 1974. The EEC commission has indicated that it would welcome the idea of other Community countres initiating similar measures, to simplify and humanise traditional law procedure. Very shortly, the commission will undertake a study of the laws of the member states relating to consumer protection in the courts, particularly the various means of recourse and procedures, including actions brought by consumer associations or other bodies; and will submit, where necessary, appropriate proposals for improving the existing system and putting them to better use. It is felt that the proposed EEC directive on the simplification of legal procedures should be based on the following principles :

(i) A clerk of the court helps the parties to draft complaints and to prepare a clear and full defence;

(ii) The case is heard by one judge, who conducts it expeditiously without two much formalities and picks out the main points so that both sides know on what to base their case;

(ii) No legal representation is allowed; if needed a technical expert may be called in and be paid for by the court;

(iv) The judge tries to settle the dispute amicably;

(v) In most cases, the procedure should be verbal;

(vi) In most cases, one hearing should be sufficient;

(vii) Only absolutely essential expenses may be recovered from the losing party;

(viii) The right of appeal is strictly limited;

(ix) This procedure should only be used for civil cases where the value of injury suffered does not exceed a fairly small sum; and

(x) As far as practical organisation is concerned, the tribunal or the board should be located as near as possible to the parties concerned. An evening and off-day hearing should be arranged for those who cannot attend during the working day.

Current legal procedures can very well be improved by wider access to legal aids, lower legal costs, introduction of a scale of fees by lawyers and modernising the trappings of the legal system. It is suggested that the formalities of obtaining legal aid be simplified and the income threshold for obtaining aid should be adjusted upwards. The consumer should be granted free legal aid automatically if the complaint has been upheld by a public complaints office or by an office recognised by the state. There is also need to clarify the highly intricate system of lawyers fees, making it more advantageous to the complainant. Such fees should be calculated not only according to the sum under dispute, but also according to the time spent by the lawyers and duration of the proceedings. The high courts and the responsible ministries may give instructions to officers of the courts and magistrates to draft legal acts and judgments in clear, concise, direct and simple language.

collective protection

The notification and bringing of cases for redress by individual consumers is, however, not always the best and effective way of achieving collective protection which is the main objective of any scheme of consumer protection. In many cases, it would be more practical for consumer organisations to intervene and get involved by taking direct action under criminal and civil law to press for compensation and redressal of grievances. Experience has shown that legal action by individuals is only worthwhile if the damage or injury suffered is substantial but it should not be forgotten that although individuals are not seriously affected by malpractices on a small scale, the individual legal action is not, therefor, justified, the total sum of money involved can constitute a huge illegal profit to the manufacturer and supplier and this should be eliminated. Only collective action can achieve this as has been shown in the United States and Canada.

V

In every scheme of consumerism, the question of who is to pay for consumer protection is a matter a major importance. In many European countries, consumer centres are responsible for coming to consumer's aid. Such centres are supported by organisations concerned with consumers' interest and financed almost entirely out of public funds. Mostly these organisations have come up with private initiative. It is suggested that alongside these private organisations, public services also be set up with the aim of informing the consumer of his individual rights. Such public services could carry out surveys and inform and cooperate with other public services, private firms and industrial and commercial undertakings to improve the consumer's position. It has been suggested in various quarters that the consumers' position could be greatly improved by appointing an *Ombudsman* as in Denmark or Sweden who could be responsible for monitoring trading practices in areas where there is legal protection for consumers against abuses and unfair practices. In order to do this, he would need to carry out continual checks on trading activities and monitor the classes and conditions under which firms deal with the consumer. Appointment of an *Ombudsman* would provide a reliable safeguard of a consumer and bring about a marked decline in infringements of the rules on fair trading practice and of the many laws applicable in other fields. It would also ensure fair competition and proper use of advertising.

VI

Athough consumer protection is not directly the area of responsibility of the EEC, but a suitable legal basis for initiating and implementing various proposals on consumerism could be found in Article 235 of the Rome Treaty the protection of the consumers wou presumably contribute to "constant i provement of the living conditions refe red to in the Preamble of the Treat and therefore constitutes "one of th objectives of the Community". Article of the Treaty sets the Community" th task of promoting a continuous an balanced expansion and increase in stab lity (and) an accelated raising of th standard of living". Article 100 (Ap proximation of laws) can also be regar ded as a legal basis, as it stipulates tha the provisions to be harmonised mus "directly affect the establishment or func tioning of the Common Market", and consumer is regarded as one of the mai beneficiary of the establishment of the Common Market.

universal problem

The above survey and analysis of consumerism in the European Economic Community throws light on the problems of protecting and promoting the interests of consumers *vis-a-vis* the manufacturers and suppliers. In general, these problems are faced by countries like India as well and we can substantially draw upon the experience of Europe in tackling problems of consumers and finding satisfactory and amicable settlements of problems, and for orderly growth of interchange of goods and services between the producers and the users. Unfortunately, only lip service has been provided so far to the consumers' interests by enactments like the Monopolies and Restricted Trade Practices Act 1969, codes of conducts and ethics drawn up by organisations of trade and industry, etc. It is suggested that a national level committee be set up to study the problem of consumer grievances and make suitable recommendations—both legislative and non-legislative—to the government, organisations of trade and industry and consumers, and initiate a programme of consumer education through the publicity media like radio, television and the press. This will also go a long way in improving the quality of life and in protecting the weaker sections of the society who have always been the victims of undesirable practices by some manufacturs and suppliers.

MOVING FINGER

There is no bottom, identically, to the depths to which a certain type of politicians would sink. The other day a college student was run over by a hit-and-run jeep on a Delhi street. He happened to be the son of a CBI official who was the chief investigating officer in the *Kissa Kursi Ka* case. Even as the boy was in deep coma in a local hospital and was fighting a losing battle with death, some Janata men tried to make political capital out of the tragedy by insinuating or alleging that it had been contrived by the Sanjay Gandhi gang as an act of revenge against the father of the victim. It was later found that the jeep involved in the accident belonged to the Intelligence Bureau and was in fact being driven by a driver in the employ of the Bureau, with two Inspectors, also from the Bureau, as passengers. I wonder whether it will be the argument of the Janata men, who were so ready to point an accusing finger in a certain direction, that the Intelligence Bureau is a nest of Indira Gandhi conspirators. Surely such extravagant, irresponsible and altogether contemptible conduct on the part of even a small number of Janata elements will only redound to the advantage of Mrs Gandhi and her group, who should find it less difficult to that extent to continue to project themselves as the targets of an unscrupulous political vendetta.

One curious feature of this sad episode is that the prime minister, speaking in Lok Sabha on May 15, the day the boy died (the accident itself having taken place on May 12), reportedly said that the jeep had been traced and the Inspector General of Police had assured him that the persons responsible would also be traced. However, newspaper reports, date-lined also May 15, said that the police claimed to have seized a jeep, No. DED 185, the owner of which was a small-scale industrialist. Eventually, this turned out to be the wrong jeep and the Intelligence Bureau jeep, which is now said to be the guilty one, has the registration No. DHD 188. Now, the question is, which was the jeep about which Mr Desai had been briefed when he said that the vehicle involved in the accident had been traced. Going by newspaper reports, one will have to assume that the police were able to locate the "right" jeep only after Mr Desai had said in Lok Sabha that the jeep involved in the accident had been traced. In other words at the time when the prime minister made the statement, the police were still engaged, apparently, in investigating whether the jeep, subsequently exonerated, was the one which was the hit-and-run vehicle.

There is a passage in the Shah Commission's report which is worth mulling over:

"Imaginary fear of possible and probable consequences for doing a right thing has done more havoc than the known consequences that followed the performance of duties on the right lines".

Commending the conduct of Mr R.L. Mishra, Joint Secretary in the Home ministry who "never gave in to the wrongs indulged in by the Delhi administration even when his own Secretary had thrown up the sponge", the Shah Commission points out that this "only means that doing the right thing is an art of the possible." Here, it seems to me, there is a sufficient answer to the present chief justice of India who recently confessed to the difficulties he had in coping with an issue of ethics during the emergency.

Talking of "doing the right thing", certain journalists have been receiving accolades from various quarters for having done the right thing during the emergency. The latest beneficiaries are Mr S. Mulgaokar of *Indian Express* and Mr S. Nihal Singh of *The Statesman* who have been named by a monthly, *Atlas World Press Review*, to share honours as International Editor of the year. The editor and publisher of this American magazine, Mr Alfred Balk, explains that these two Indian editors were chosen "not only for their own performance but as symbols of a courageous journalistic minority who tenaciously resisted the oppression of the emergency."

I do not know how Mr Mulgaokar feels about thus being singled out—if "singled out" is the correct phrase for this case of pairing. His of course was essentially a passive act. He was not prepared to support the emergency and therefore opted for suspending his column. It was this which made him *persona non grata* with the then powers that be. So far as *Indian Express* was concerned, the basic decision to play an adversary role to the then government was taken by its truly courageous proprietor, Mr Ramnath Goenka, who figures in the Balk's listing of "also rans". As for Mr S. Nihal Singh, he gets the honour only because Mr C.R. Irani, not being the *de jure* editor of *The Statesman*, could not very well have bagged it for himself. Mr Irani, however, gets a place among the others "cited for their courage." He no doubt deserves this credit, but what puzzles me is why *Eastern Economist* came to be overlooked in this naming of the field, when *Freedom First*, *Himmat*, *Opinion* and *Seminar* have been noted.

This should cause as much disappointment to the readers of the journal as to me. Perhaps, I am to be blamed to some extent since I neglected post-emergency publicity. Mr Balk, in far away New York, cannot, in any case, be blamed. But it should be interesting to know how he had been briefed and by whom. Incidentally, *Motherland* also receives mention for courage during the emergency. This is curious since *Motherland* was shut down on the first day of the emergency. Curiouser still is the reference to Mr B.G. Verghese. He certainly was not the editor of any newspaper during the emergency and, as a contributor to *Commerce*, he was writing mainly on non-controversial themes such as rural development. I wonder whether *Commerce* would have published any politically compromising article from him at that time. Mr Verghese of course was quite active against the emergency on another plane.

VB

TRADE WINDS

Credit to Priority Sectors

WHILE THE policy of caution towards credit expansion has to continue, the comfortable resources position provides an excellent opportunity to banks to accelerate the flow of credit to priority sectors. This was emphasised by the governor of the Reserve Bank, Dr I. G. Patel, at a meeting he had in Bombay on May 15 with the chief executives of major banks. Indicating that there would be no major modifications in the broad structure of credit regulations, the governor announced the following changes :

1. RBI refinance would become available to banks in respect of food credit in excess of Rs 2,000 crores instead of Rs 1,500 crores as at present. Other elements in the food refinance mechanism remain unchanged.

2. The "DTL Refinance"—that is, the refinance to which banks are at present entitled to the extent of one per cent of their net demand and time liabilities as on the last Friday of March 1977 has been done away with. The Reserve Bank will, however, provide temporary accommodation, when needed, for meeting clearing imbalances under discretionary or standby arrangements at the Bank Rate (9 per cent).

3. Banks should deposit with the Reserve Bank in terms of rupees the equivalent of one half of the net aggregate amount accruing hereafter to each bank under the Non-resident (External) Rupee Accounts Scheme and Foreign Currency (Non-resident) Accounts Scheme; the Reserve Bank will pay a reasonable rate of interest on such deposits. The deposits could be credited to the Reserve Bank on a monthly basis beginning from June 1978. There will be a suitable provision to permit withdrawals from such deposits depending on the withdrawal of deposits of the bank concerned.

The governor announced that the Reserve Bank has decided to increase the rate of interest paid by it to banks on the cash reserves (above the statutory minimum) including those pertaining to the 10 per cent incremental reserve ratio maintained with the Reserve Bank from six per cent to 6.5 per cent with effect from June 1, 1978. The special deposits made under the new proposal in respect of non-resident accounts will also attract interest at 6.5 per cent per annum.

Monetary Trends in 1977-78

The Reserve Bank governor, Dr I.G. Patel, at the meeting with chief executives of major banks said that a review of the monetary and credit trends during the financial year 1977-78 revealed that the rise of 15 per cent in money supply was certainly high even in the context of an estimated increase of five per cent in national income which must have led to an even larger percentage increase in the quantum of goods arriving in the market. What made the expansion particularly worrisome the RBI governor said, was that it followed an unsually large monetary expansion of 18.8 per cent in 1976-77. The sizeable increases in monetary expansion for two successive years constituted an 'inflationary potential' which emphasised the continued relevance of a cautious monetary and credit policy. The year 1977-78 also witnessed a sharp deceleration in gross bank credit : the increase was 11 per cent, as against an increase of nearly 21 per cent in 1976-77. The slower rate of expansion in 1977-78 was largely attributable to an actual decline in public food procurement credit. In absolute terms, the expansion in non-food gross bank credit was more or less of the same magnitude as in the previous year. Such a lower rate of credit expansion, coupled with the accretion of deposits of about the same order as in the previous year, enabled banks to liquidate substantially their indebtedness to the Reserve Bank.

Significantly Lower

The gross credit-deposit ratio of banks at 68.4 per cent at the end of March 1978 was significantly lower as compared with 76.0 per cent a year ago.

Against this background, the governor assessed the outlook for the economy in the current year, and also for the banking sector. According to him, in all likelihood, national income growth in 1978-79 would be rather moderate. This was because the increase of about five per cent in national income in 1977-78 was largely attributable to the attainment of seven per cent increase in agricultural production. It is unlikely that there will be a similar increa in agricultural productio during 1978-79. At best, w could hope that agricultur production would be sustaine at the 1977-78 level. Industri growth may show a margina rise from 5 to 6 per cent du ing 1977-78 to, say, 7 or per cent, but the agricultura sector is likely to dampen th overall increase in nationa income. Monetary and credi policy would, therefore, hav necessarily to operate in th framework of a rather smalle increase in national income i 1978-79.

IBRD Sees Bright Spots in Economy

In a background note on this country's economy pre pared by the World Bank fo the Aid India Consortium stress is laid on "the greal opportunity", for promoting the development of our econo my in its current circumstance with large stocks of food grains, high and rising external reserves, excellent crop expectations, price stability and good prospects for sustaining the improved supply of foreign exchange.

The sucess of our strategy, which projects a rapid rise in developmental expenditure, it said, "will bring the Indian economy to a more dynamic growth path but it will also advance the date when the growth of the economy will, once again, be resource-constrained. The trade deficit and the current account deficit will reach high levels during the second half of the five-year period. Hence, the flow of external assistance will once again become an important factor in equilibrating savings and investment as well as in balancing the external payments".

Despite considerable econo-

c and social progress in the t two decades, the back- ound note said, India re- ained one of the world's orest countries with an esti- ated per capita income of 150. The great poverty and e immense development pro- ems which remained to be ealt with tended to disguise e present and potential onomic capacity.

Even though millions of rmers still used ancient echnology, India was the ourth largest foodgrain pro- ucer in the world and a eader in wheat research. ndia's medical research was t the frontier of reproductive iology.

Postal Tariffs Revised

The Posts and Telegraphs lepartment is revising the ostal tariffs with effect from une 1. The revised rates are:

Letters: For a weight not exceeding ten grams 25 paise; for every ten grams or fraction thereof exceeding ten grams 15 paise.

Postcards: There will be no change in the postal tariffs on postcrads containing written communication. On postcards containing printed communications of any description, a separate postal tariff of 20 paise per card has been prescribed. There is no change in the postage on inland letter cards.

Book pattern and sample packets: For the first 50 grams or fraction thereof 25 paise, for every additional 25 grams or fraction thereof in excess of 50 grams 15 paise.

Registered newspapers: Single copies for a weight not exceeding 50 grams 2 paise; for a weight exceeding 50 grams but not 100 grams 5 paise; for every additional 100 grams or fraction thereof exceeding 100 grams 10 paise.

Book packets containing periodicals: For a weight not exceeding 100 grams 15 paise; for every 50 grams or fraction thereof exceeding 100 grams 20 paise.

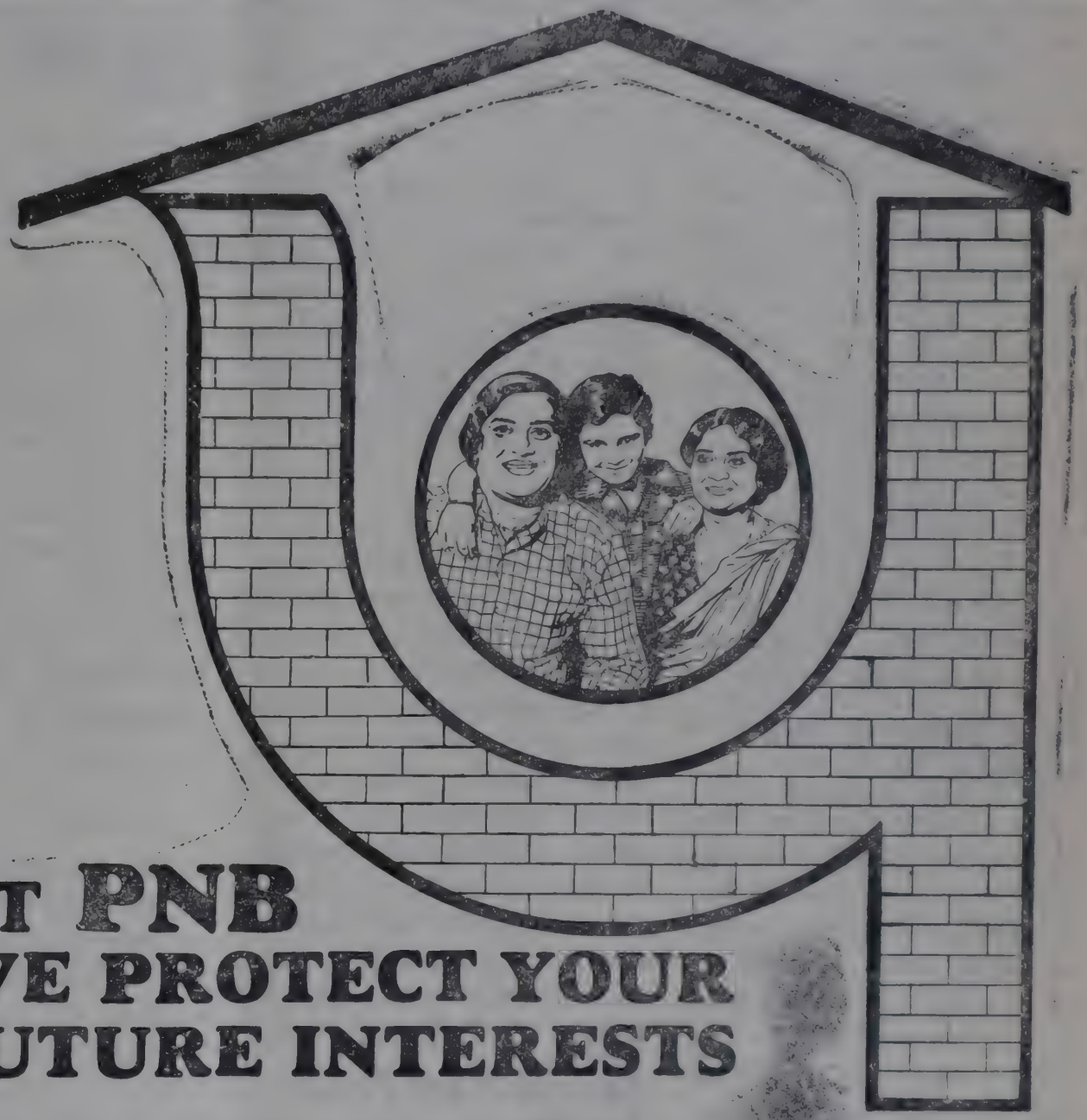
Registration fee: Rupees 2.25 per article. Registration fee for bulk bags Rs 11. This fee is chargeable on foreign registered articles also.

Recorded delivery fee: Re 1.

Fee for issue of advice of delivery: 30 paise per article (by surface route). Fee for the above countries if air transmission is required for the AD on the return journey 50 paise (per article).

Certificate of posting: 20 paise per three articles or less.

Air surcharge on postal articles: At present there is no surcharge for transmission of



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letters, letter cards, postcards and money orders by air. The same will continue. On other postal artiles mentioned below, the air surcharge is being revised as follows:

(1) Postal articles other than letters, letter cards, postcards, money orders, parcels (i.e. book packets, registered newspapers) 10 paise per 10 grams or fraction thereof: (ii) parcels 50 paise per 100 grams or fraction thereof.

Late fee: Inland postal articles unregistered postal articles 20 paise per article; registered articles 30 paise per article; on registered articles posted at night post offices after the closure of the registration counter 10 paise per article; unregistered article posted in RMS sections 25 paise per article.

Foreign postal aritcles: Both registered and unregistered article 30 paise per article.

Gold Sales in 2nd Auction

The Reserve Bank on May 18 awarded 1,498.7 kg—nearly 1.5 tonnes—of gold to 641 successful bidders at prices ranging from Rs 630 to Rs 675 per 10 gm in the second gold auction held on May 16.

In the first auction held on May 3, 229 bidders were awarded a little less than half a tonne of gold at prices ranging from Rs 620 to Rs 663 per 10 gm.

For the second auction RBI received 1,155 tenders, of which nine were declared invalid on grounds such as failure to indicate the bid price and quantity of gold bid for and failure to deposit 10 per cent of the total value of the bids.

Of the 1,146 valid bids, 641 have been accepted and awarded the quantities of gold specified in the tenders at the prices quoted in them.

The third auction of gold sale will be held on May 31.

Task Forces for Industries

The minister for Commerce, Civil Supplies and Cooperation, Mr Mohan Dharia, has appointed high-powered task forces for major product groups, such as agriculture, handicrafts, gems and jewellery, leather and leather manufactures, engineering projects, electronics and small scale sector. This was announced by the minister, in New Delhi on May 15, while addressing the first meeting of the Central Advisory Council on Trade.

During the next three months, the task forces would draw up programmes for specific actions for securing higher exportable surpluses through better capacity utilisation, new investments and modernisation. Other functions of the task forces would include exploring new markets for our products, identifying new products for exports particularly where we have a comparative advantage and improving export infrastructure.

Second Press Panel Set Up

An 11-member commission, headed by a former judge of the Supreme Court, was appointed on May 18 to go into the development of the Indian press in the past 25 years and chart out its future growth. The Press Commission, the second since independence, is required to submit its recommendations within a year.

Headed by Mr Justice P. K. Goswami, the commission consists of Mr Abu Abraham, Mr Prem Bhatia, Mr S. N. Dwivedi, Mr Moineudin Harris, Mr Ravi Mathai, Mr Yashodhar N. Mehta, Mr V.K. Narasimhan, Mr F. S. Nariman, Mr Arun Shourie and Mr S. H. Vatsayan. The appointment was announced in Rajya Sabha by the minister for Information and Broadcasting, Mr L. K. Advani.

Duty Relief for Animal Feed

Animal feed is leviable to export duty at Rs 125 per tonne. The trade had been representing for exemption from export duty tapioca chips, an animal feed, due to a steep fall in the local prices.

Considering the interests of tapioca cultivators, encouraging exports and making this item competitive in the international market, the government has exempted tapioca chips from export duty.

Increased Outlay on Housing for Miners

There has been an addition of over seven per cent in the number of houses for miners provided by Coal India Limited under its coal mines welfare organisation scheme, since the nationalisation of coal mines in 1973. The number of houses for mine labourers which stood at 1,18,366 before nationalisation, now number 1,60,943. More than 27 per cent of miners are now provided rent-free houses to live in, under this scheme.

The capital outlay on housing during 1977-78 was about Rs 16 crores and it has been increased to nearly Rs 21 crores for the year 1978-79. As on March 31, this year, there were 12,549 houses under construction, and another 14,874 are targetted to be added during the current year. It is expected that by 1985-86, 50 per cent of mine labourers will be covered under the C India housing scheme, a that there will be one hou for every alternate employe

Scope for Engineerin Goods Exports

Overseas contracting engineering goods has shov considerable improvement wi orders on hand at the la financial year (1977-78) aggr gating to an impressive figu of Rs 1,146.71 crores coverir a diverse product range i cluding construction project In March, in the western r gion alone fresh contracts r gistered, were of the order Rs 83.59 crores—the highe for any month.

Business accruing in th rest of the engineering centre of the country is estimated t be Rs 50 crores. This tren indicates that the target Rs 725 crores for 1978-79 wil be achieved. The earning from engineering goods dur ing 1977-78 are placed a Rs 625 crores, Rs 25 crore less than the target.

The performance in the cur rent year is expected to be substantially better. The re vival of construction activity in the Gulf region is a favour able factor.

New Strategy

The Engineering Export Pro motion Council has prepared a new strategy to boost ex ports. This includes participa tion in 14 specialised fairs all over the world, strengthening of existing overseas offices of the council in several interna tional centres and the opening up of new ones in Sydney, Los Angeles, Warsaw and Cairo. It also plans to organise seminars of shipping, export finance, project exports and the role of small-scale units. An intensive sales promotion boost for enlarging exports to

neighbouring countries of
istan, Burma and Sri
ka is also to be under-
en.

anking Act Repealed

The Banking Service Com-
ssion (Repeal) Bill, which
s rejected by Rajya
bha in December last,, was
ssed at a joint session of the
o houses of Parliament.

The bill seeks to repeal the
nking Service Commission
t of 1975 which provided
r a central recruitment ma-
inery for selection of staff
r the public sector banks.

The president had summon-
l the joint sitting of the two
ouses of Parliament to deli-
erate and vote on the bill.
he bill passed by Lok
abha had been rejected by
e Rajya Sabha.

Moving for consideration of
e bill, the Finance minister
eclared that the government
ad no intention of going back
n the nationalisation of 14
anks. On the other hand, it
as committed to the social
nd economic objectives for
hich the banks were nationa-
sed "and we are going
orward in fulfilling those
bjectives"

Mr Patel said that the
overnment proposed to set
p seven recruitment boards
nstead of the Banking Services
Commission because it was of
he considered opinion that a
ingle centralised agency
would be unwieldy and cum-
bersome and would not be
conducive to the growth of the
anking system.

read Wear Indicator for Tyre

For the first time in India
a car tyre will be available
with tread wear indicator.
Tread wear indicator is a safe-
y device which tells the mo-
orists to change tyre when the
tread wears down to this depth. According to a Goodyear spokesman 90 per cent of all tyre troubles occur in the last 10 per cent of the tyre's life. The US and a number of western countries have minimum tread depth laws or other tyre safety regulations, enforced at vehicle inspection time or by random police checks. In a number of these countries, tread wear indicator has been enforced as a must for all passenger car tyres.

In this country, Goodyear's new power drive car tyre, which will be soon launched in the market, will be equipped with tread wear indicator facility. Smooth tyres have been found to be upto 44 per cent more likely to have flats as new tyres. The risk of skidding which is 5 to 10 times more likely with average tread depth on wet roads as on dry roads, is doubled with bald tyres. Tread wear indicator will provide the timely warning to change the tyre before it is unsafe for driving.

MMTC to Supply Ore to China

The Minerals and Metals Trading Corporation has concluded a firm contract with China to supply between 20,000 and 30,000 tonnes of first grade iron ore at internationally competitive prices.

In return the corporation has placed firm order with the Chinese to import certain non-ferrous metals including 200 tonnes of zinc, 50 tonnes of antimony and 1,000 flasks of mercury.

The contracts were initialed by the trade delegation led by Mr Suresh Narain, general manager, MMTC, which visited the recent Canton trade fair. This will be the first shipment of iron ore that MMTC will be despatching to China. The shipment will take place by the end of August next.

Indo-Pak Trade Talks

The three day trade talks between India and Pakistan at Islamabad were inconclusive and the two sides decided to meet again after "a brief adjourment." According to a joint communique issued simultaneously from the capitals of the two countries, the two sides agreed "in principle" on the indicative lists of goods and commodities in which trade of mutual interest would be exchanged.

The talks were aimed at concluding a trade agreement to take the place of the one which ended in January last. The talks were held "in a cordial and friendly atmosphere." India on its part explained its view that trade could be conducted on the pattern followed hitherto. The Indian delegation expressed its readiness to cooperate in solving the problems put forward by the Pakistan side. According to the joint statement, in recognition of the right of an importing country to seek an orderly marketing arrangement, the two sides considered various regulatory measures which could be adopted to bring about the necessary improvement in the nature and direction of trade.

Thai Order for Testeels

Testeels Limited has secured a contract worth Rs 6.25 crores with the Electricity Generating Authority of Thailand. The contract, on turnkey basis, is for design, supply and construction of 400 km X 115 kv double circuit and single circuit transmission line in southern Thailand.

This was disclosed on May 17 by the company's managing director, Mr Nalin Shah. He said the Asian Development Bank was financing this project.

Mr Shah said Testeels Limited had entered into a joint venture with Sino-Thai Engineering and Construction Co Ltd, Bangkok, for carrying out the work under the supervision of Testeels.

This order, the third in succession, was obtained against keen international competition, especially from Japan. The order is to be completed in 24 months.

The projects in Nepal and Laos were likely to be completed by June this year, Mr Shah added. The supply for the Indonesian contract valued at $1.636 million would be completed during the current financial year.

Britain's Record Trade Surpuls

Britain had a record visible trade surplus of £236 million in April, according to figures released on May 15 by the

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epartment of Trade. The revious best was £161 million 1 1977. With the addition f estimated invisible earnings, April also saw a record current-account surplus of £336 million. The result is explained by a four per cent rise in the volume of exports against the previous month, together with a 12 per cent drop in import volume.

This year has seen two exceptionally high surpluses and two exceptionally low deficits. Averaged out, the result is broadly in line with the government's forecast of a £250 million current-account surplus in the first half of the year.

In the months to April there was a visible surplus of £48 million, compared with a deficit of £340 million in the previous three months. This represents an 8½ per cent growth in export valume, and a rise of only 2½ per cent in imports.

North Sea oil played a significant part in the change, as higher exports and lower imports led to a £140 million reduction in the overall oil trade deficit. Trade in motor vehicles was also important, with export volume rising by 23 per cent over the three-month period and imports falling by four per cent. The terms of trade moved one per cent in Britain's favour between the two three-month periods.

UK Bank Rate Raised

The Bank of England raised its minimum leading rate by ¼ per cent on May 12. The move follows a one per cent increase announced by the Chancellor of the Exchequer, Mr Denis Healey, in his April budget and a further increase of 1¼ per cent a week ago. The rise is a response to market pressures and is expected to allay some of the uncertainties of past weeks.

The bank thinks that an appropriate relationship has now been achieved with interest rates abroad. This will tend to stem the flows of money towards other international centres where interest rates had been more attractive. It will also improve the prospect for sales of gilts.

British Aid for Power Sector

The British government has granted an allocation of £50 million to India from aid funds for the purchase of British goods and services for the power sector.

The grant by the ministry of Overseas Development, will finance wide range of new equipment, spares, components and materials for the further development of the power sector, which is essential for the future prospects of the rural economy of India.

A British team that visited India recommended the grant as well as various forms of assistance under technical cooperation. Under the latter arrangements, Britain has already provided training in Britain for Indian engineers. For 1978-79, Britain has offered 42 training places for power station engineers, as well as eight places at a Central Electricity Generating Board (CEGB) school for senior training instructors.

CEGB consultants will help provide 12 short courses in India this year for about 250 engineers and a five-man team will advise the government of India on training methods. Britain has already provided substantial aid for India's power sector, including a previous sector grant of £10 million in 1975.

Lufthansa's Growth

With 152,093 flights during the year 1977 covering a total of 195.8 million flight kilometres, Lufthansa has again recorded an increase in performance compared with 1976. This number had increased by 4.3 per cent for 1977 compared to 1976.

Lufthansa has introduced in the past new features of inflight entertainment on its Boeing 747and DC-10 intercontinental flights. As from April 1, 1978, the re-opening of the airway 'Amber One' for international air services from Bangkok across Laos and Vietnam to Hong Kong reduces flying time to Hong Kong by over one hour. The actual flying time from Delhi to Hong Kong will be reduced to 6 hours 30 minutes.

Estimate of US GNP

The US 1978 Gross National Product is likely to be under official projections by $16 billion—chargeable to "last winter's freeze, the coal strike, and whatever else contributed to the shortfall in first-quarter production." That's the assessment of Morgan Guaranty economists, who calculate the GNP loss to be equal to $200 for each family in America.

The bank economists, writing in the May issue of the Morgan Guaranty Survey, note that first-quarter output of goods and services should have been at an annual rate of $1376 billion (in 1972 prices) to be in line with the January forecast of the president's Council of Economic Advisers (CEA) of a 1978 real GNP of $1400 billion. But growth in the first quarter amounted to only $1358 billion.

What would be required to make up for the growth lost in the first three months of this year and get back on trendline called for the CEA, which is for average growth of 4¾ per cent quarterly? It would take a second-quarter GNP increase over the first quarter at more than a 10 per cent annual rate.

A more realistic expectation, in the view of Morgan Guaranty's economic staff, would be that which results in a 3.9 per cent year-over-year increase in real GNP, instead of the original CEA projection of a 4.7 per cent gain in annual GNP, 1978 over 1977.

Names in the News

Mr Shripati Singhania has been elected president of the Bharat Chamber of Commerce for 1978-79. He is a director of the J.K. group of industries, a sitting member of the Committee of All India Organistion of Employers and vice-president of Indian Wire Rope Manufacturers Association.

Mr K. Vishnu Murthy Yerkadithaya has taken over as the new chairman and managing director of Indian Overseas Bank. He was chief executive of the United Asian Bank, Berhad, Kuala Lumpur, Malaysia, prior to his present appointment.

Dr P.L. Agarwal, general manager of the Rourkela Steel Plant, has been appointed chairman of the Steel Authority of India. Dr Agarwal will take charge of his new office soon. He succeeds **Mr R. P. Billimoria** who held office for just over a year.

Mr S.G. Sundaram, chairman of the Cardamom Board, has been appointed chairman of the Rubber Board. He would also be concurrently chairman of the Cardamom Board.

COMPANY AFFAIRS

exmaco Fares Well

XMACO HAS done well ring the year ending ecember 31, 1977 with gross ofits at Rs 3.01 crores, gistering an increase of 20 r cent over last year's per- rmance. After providing s 8.25 lakhs for investment lowance reserve, Rs 44.59 khs for depreciation and s 1.55 crores for taxes, there as a balance of Rs 93.48 khs out of which an appro- iation of Rs 8.46 lakhs has een made to dividend on ,016 CR. preference shares of s 100 each at 9.3 per cent per nnum. Dividend on 10,000 umulative preference shares f Rs 100 each at 7.857 per ent takes Rs 78,570. Another s 1,65,000 goes by way of ividend on 30,000 CR pre- erence shares of Rs 100 each t 5.5 per cent per annum. Rs 93,000 are allotted to lividend on 10,000 CR pre- ference shares of Rs 100 each t 9.3 per cent per annum and Rs 22.50 lakhs to pay- ment of dividend on 15,00,000 equity shares of Rs 10 each making a total of Rs 25.86 akhs towards overall dividend. Thirty lakh rupees are trans- erred to debenture redemp- ion reserve and Rs 29.14 lakhs to the general reserve. The directors attribute this cale of performance largely to the adaptation of the product- mix to the emerging market requirements and also to the continuing cost reduction drive through inventory control and better finance management.

Production during the year was marginally lower at Rs 30.59 crores compared to Rs 31.20 crores in the previous year. The sales during the year stood at Rs 30.78 crores which, while commensurate with the production were below the 1976 level of Rs 37.37 crores. This apparent fall, on a straight comparison, was primarily because the turnover of the preceding year was boosted owing to the liquidation of accummulated stock of wagons for Yugoslav Railways and textile machinery.

Export Performance

After an all-time export record of Rs 10.72 crores in 1976, the directors say, exports during the year witnessed a temporary lull which is not uncommon in case of capital goods export. However the company has export orders in hand of the value of Rs 7.64 crores which would show a better export performance during the current year.

In spite of the textile industry still operating under recessionary conditions the production picked up during the year, with prospects of a bigger share of the market. While the production and sale of steel castings during the year registered an improvement, the directors report, there continued substantial capacity under-utilisation owing to the brunt of the power cut borne by the electric arc furnance melting section.

Production and despatches of boilers during the year under review were satisfactory. The directors report that production and sales in sugar machinery division were at an all-time high.

Baroda Rayon

There has been a spurt in the profits of Baroda Rayon Corporation for the year ended December 31, 1977. After meeting all expenses but before providing for depreciation and investment allowance reserve/development rebate reserve the profits for the year is placed at Rs 5.57 crores against a profit Rs 46.74 lakhs. Depreciation takes Rs 1.61 crores and investment allowance/development rebate reserve Rs 3.18 lakhs, leaving a balance of Rs 3.93 crores, against a balance of Rs 28.24 lakhs in the previous year.

The improved results for the year, the directors report, are mainly due to better off-take of man-made filament yarn with the revival of demand, improved efficiency of the nylon division, considerable reduction in the cost of raw materials, lower cost of finance because of relatively lower borrowings and by controlling the overheads despite higher production. The working results for the year had to bear the burden of the bonus in terms of the Bonus Ordinance for the year 1976. As per the revised labour agreement certain additional benefits have been given to the workers and staff. The directors complain that excise duty on man-made filament yarn continues to be a crushing burden, which has been raised by five per cent in the last central budget.

The turnover for the year shows a substantial rise of 40 per cent and stands at Rs 33.54 crores (Rs 26.79 crores net of excise duty) compared with Rs 30.44 crores (Rs 17.93 lakhs net of excise duty) of the previous year. The directors report that the severe recession in the market of man-made fibres prevailed till the first quarter of 1977. With the revival of demand the average realisation was higher ensuring reasonable returns.

The directors report that the rayon plant continued to operate at the optimum capacity and produced 3,729 tonnes of rayon yarn during the year. The production of nylon division registered an increase of 18 per cent at 2,142 tonnes, against 1,823 tonnes of the previous year.

The company has so far imported machinery and equipment amounting to Rs 226 lakhs for the nylon tyre cord project.

Swan Mills

Swan Mills has kept up a steady growth in sales during the first four months of the current year.

Mr J. P. Goenka, chairman of the company, has disclosed that the company's sales for the first four months of its current year (January-April) have risen by about five per cent to Rs 5.12 crores compared to Rs 4.83 crores for the corresponding period of 1977. Its sales had risen to a similar extent in 1977 to Rs 17.70 crores from Rs 16.87 crores in 1976.

Meanwhile, the company has undertaken an ambitious modernisation and renovation programme involving a total capital expenditure of Rs 3.50 crores. Financial institutions have already sanctioned soft loans amounting to Rs 2.70 crores for this purpose and

according to Mr Goenka, the implementation of the programme has been progressing apace.

Orient Paper in Nigeria

Orient Paper Mills proposes to render technical and other services to Nigerian Paper Mills, a company owned and controlled by the government of Nigeria, for expanding its manufacturing capacity from 40 tonnes to 200 tonnes per day of pulp and paper. This will be done in association with Birla Brothers Private Ltd. For these services the company will receive equivalent of 900,000 US dollars from the Nigerian company. The company proposes to invest in the equity capital of the Nigerian company equivalent to $4.5 million which will be met entirely by way of export of plant and machinery from India.

The company also proposes to set up a cement plant at a suitable place with an annual capacity of nine lakh tonnes of cement, for which an application for industrial licence has already been made. The company's name is also proposed to be changed to Orient Paper and Industries Ltd.

Bajaj Tempo

Bajaj Tempo, the manufacturers of the well-known Matador diesel commercial vehicles, has been doing well in the current year, judging from the performance of the company during the first six months of the current year.

According to the half-yearly report from the company, sales have risen to Rs 13.4 crores during the period from Rs 11.59 crores in the same period of the previous year. It has earned a gross profit of Rs 164 lakhs compared to Rs 143 lakhs last year.

After depreciation (Rs 29 lakhs against Rs 27 lakhs) and taxation (Rs 67 lakhs against Rs 53 lakhs), the net profit is higher at Rs 68 lakhs compared to Rs 63 lakhs. The company has received an export order for more than 700 vehicles and the management expects to execute a major portion of this order during the current year ending September next.

Alembic Glass

Despite power shortage and major furnace repairs, Alembic Glass Industries has increased both production and sales during 1977.

Production has risen by 11.3 per cent to 42,944 tonnes from 38,567 tonnes. The sales have improved by 13.6 per cent to Rs 9.34 crores from Rs 8.22 crores. Exports have gone up to Rs 27.26 lakhs from Rs 15.70 lakhs.

In view of the keen competition and hike in cost of production, the profitability has been hit badly. The net profit has declined steeply to Rs 14.75 lakhs from Rs 25.60 lakhs after depreciation (Rs 38.58 lakhs against Rs 40.35 lakhs) and taxation (Rs 21 lakhs against Rs 33 lakhs).

The unchanged equity dividend of 10 per cent will claim Rs 25.68 lakhs as before for the payment of this dividend, it has withdrawn Rs 10.91 lakhs from the general reserve.

Rohit Mills

The performance of Rohit Mills was afflcted during the year 1977 due to the steep rise in prices of indigenous cotton on account of its short supply position. According to the director's report the gravity of the situation was a little eased as a result of certain short-term measures taken by the government. The cotton, imported by the Cotton Corporation of India, was offered to the mills at prices currently prevailing for corresponding varieties of Indian cotton and duty-free import of viscose polynosic staple fibre was permitted on a free licen basis. Owing to a cha affected in mode of charg electricty duty since Aug 11, 1977, the cost of power a had increased the requirem of working funds consequ on rise in cost of inputs led

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tantial increase in the bur- of interest charges.

the engineering division the company the cost of luction increased on ac- nt of rise in the cost of its uts. On the other hand, market condition of de- nd recession gave little pe in affecting matching in- ase in the sale realisation. e engineering division had o to absorb the additional den of excise duty which s increased from one per t to two per cent ad valorem h effect from June 1977.

In the circumstances men- ned above, the working re- ts shown by the company the year under review ould be considered satisfac- ry. The net increase in the oss block of the company s of the order of Rs 16.40 khs.

ombay Oxygen

Bombay Oxygen Corpn has ported a setback for 1977 though it proposes to main- in an equity dividend of 15 er cent for the year. The ompany's turnover has fallen nly by a marginal five per ent from Rs 2.29 crores in 976 to Rs 2.18 crores but the ross profit has dropped by as nuch as about 15.3 per cent rom Rs 91.61 lakhs to Rs 77.57 lakhs. The working as affected adversely by the losure of its plant at Kalwe ollowing a protracted strike n the works of the Mukand ron in the latter part of 1977. But it hopes to do much better his year.

The company has installed one more oxygen plant in the premises of Mukand Iron at Kalwe under a new long-term agreement. The new plant has already gone into production. It has been allowed by the government to manufacture oxygen plants and is taking steps to implement the project.

The working of Raptakos Brett and Co Ltd, a subsidiary of the company, has been satisfactory. Sales have risen from Rs 8.89 crores to Rs 10.22 crores and the gross profit amounted to Rs 33.16 lakhs.

Sundaram Finance

Sundaram Finance has declared a final equity dividend of eight per cent for the year 1977 which together with the interim dividend of eight per cent make for a total distribution of 16 per cent, the same as in 1976. The stock on hire has increased to Rs 2,386.79 lakhs from Rs 1,986.53 lakhs. After providing Rs 2.75 lakhs (Rs 2.72 lakhs) for depreciation and Rs 125.75 lakhs (Rs 107.99 lakhs) for taxation, there is a disposable surplus of Rs 73.27 lakhs against Rs 67.22 lakhs. Equity dividend will absorb Rs 24 lakhs (same) and the balance of Rs 48.10 lakhs (Rs 40.23 lakhs) has been transferred to the general reserve. The demand for commercial vehicles has been growing, but payment against hire purchase documents in the first quarter of the current year has amounted to Rs 302.47 lakhs against Rs 353.86 lakhs in the corresponding period last year, reflecting a shrinkage in the supply of vehicles.

Indabrator's Working

Indabrator has fared better during 1977. Sales have risen from Rs 1.72 crores in 1976 to Rs 1.83 crores in 1977 and the gross profit from Rs 23.41 lakhs to Rs 35.72 lakhs. After provisions and adjustments, the disposable surplus amounts to Rs 16.11 lakhs (Rs 13.12 lakhs). Equity dividend has been maintained at 12 per cent which will absorb Rs 4.20 lakhs, general reserve No 1 gets Rs 4.15 lakhs (Rs 2.32 lakhs) and general reserve No 2 Rs 7.90 lakhs (Rs 2.50 lakhs).

During the year, the company's air pollution division has established satisfactory manufacturing facility and has become fully operational. The demand for this equipment is expected to grow considerably and the company is well placed to provide equipment based on the latest technology. Wider range of sophisticated metal cleaning equipments and air pollution conirol systems are being added to the present products based on know-how developed by the collaborators.

ITDC's Improved Performance

The Indian Tourism Development Corporation (ITDC) has shown marked improvement in its working during 1976-77. The turnover of the corporation, according to the annual report for that year, had reached an all time high of Rs 18.55 crores as against Rs 15 crores in the previous year. The gross profit increased by over 40 per cent from Rs 2.37 crores during 1975-76 to Rs 4.4 crores marking an increase of 40 per cent. The profit before tax rose to Rs 1.3 crores from Rs 0.60 crore in 1975-76. The net profit after providing for taxation during 1976-77 works out at Rs 0.74 crore as against Rs 0.6 crore during the previous year. ITDC maintained its dividend at Rs 25 per equity share for the third year in succession, its contribution to the government exchequer in the shape of dividend payments in respect of the last three years (1974-75 to 1976-77) was of the order of Rs 0.95 crore.

The foreign exchange earnings of ITDC increased from Rs 3.2 crores during 1975-76 to Rs 4.3 crores during 1976-77, representing an increase of 33 per cent.

According to the report, the corporation is now the largest multi-unit and multi-media tourism undertaking in the country. It is perhaps the only undertaking of its type in the world which is engaged in such diverse activities as tourism accommodation (varying from 1 star to 5 star deluxe), transport, publicity, shopping and entertainment. According to the report, ITDC has gained considerable experience is planning, execution and management of tourism projects. The corporation has been receiving requests for consultancy services including preparation of feasibility studies and master plans for development of beach resorts.

Requests have also been received from financial institutions for the evaluation of feasibility studies of hotel projects. Keeping in view the good potential for this type of business the corporation has recently set up a consultancy cell to undertake tourism consultancy technical services and managerial assignments on a commercial basis.

Guest Keen Williams

In his statement at the 48th annual general meeting of Guest Keen Williams Ltd, the chairman, Mr K.C. Maitra, said that despite very severe power cuts experienced by its Howrah works there had been an improvement in the company's working last year. He, however, hastened to add that the company's performance still remained below par. Because of the depressed climate of business, the com-

pany was facing a situation of subdued demand. It was facing a setback even in exports because of the conditions prevailing in north American markets which are its largest outlets.

Mr Maitra stated that the corporate sector was working under severe constraints relating to finance, the size and nature of business and the direction of growth. These constraints, he said, are compounded by unanticipated problems such as power breakdowns, social tensions and political uncertainties. About power shortage, Mr Maitra said, the government must take swift and decisive action, otherwise industry will be condemned to a crawling growth rate despite favourable harvests, a comfortable foreign exchange reserve and prospects of accelerating exports.

The chairman stated that under the Foreign Exchange Regulation Act, the company would have to change its product mix for which it was ready. Even otherwise the market also made its demands for change. In this, he was confident that the company's international associates, GKN, would help it in having access to advanced international know-how which would enable it to meet the challenge of change with a measure of confidence.

Hukamchand Mills

Hukamchand Mills is repeating the dividend at six per cent for 1977 despite lower disposable profit of Rs 3.65 lakhs compared to Rs 12.60 lakhs in 1976.

The gross profit has however, risen to Rs 59.66 lakhs from Rs 39.51 lakhs.

As the necessary provisions have taken more, the net profit has slipped back sharply to Rs 3.54 lakhs from Rs 12.17 lakhs. For example, depreciation has been substantially higher at Rs 35.72 lakhs against Rs 23.59 lakhs and investment allowance at Rs 20.40 lakhs against Rs 3.75 lakhs in 1976.

Bank of Baroda

Deposits of Bank of Baroda in 1977 rose by Rs 319 crores to Rs 1,623 crores, registering a rise of 24.65 per cent. But its advances went up by only Rs 146 crores to Rs 1,035 crores. Despite the limited credit expansion, the bank was able to step up its profits.

Its net profit for 1977 was Rs 3.75 crores as compared to Rs 3.25 crores in 1976. The increase, according to the chairman Mr R. C. Shah, was because of the contribution made by foreign branches. It has 46 overseas branches including four opened during 1977, one in UK and three in UAE. The bank's owned funds increased from Rs 12.50 crores to Rs 15 crores. The paid up capital was increased from Rs 2.50 crores to Rs 6.25 crores by transfer of Rs 3.75 crores from the reserve fund. Priority sector advances of the bank accounted for 28.84 per cent of its credit portolio at the end of 1977 compared to 23.54 per cent a year earlier.

The bank opened 181 new offices in 1977 taking the total to 1,258. An international branch was opened at Calcutta to provide comprehensive services to its foreign customers under one roof. The bank set up five "gram vikas kendras"—a new type of bank office for bringing about integrated rural development. It proposes to set up 100 more in 1978 to help expand the farm credit portfolio.

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davp 78/51

mport of capital goods iberalised

To examine suggestions for liberalising import of capital goods in order to impart dynamism and growth to the industrial sector, the government had constituted a committee in September 1976, under the chairmanship of Mr Mantosh Sondhi, the then Secretary (Heavy Industry).

HE COMMITTEE has identified list of capital goods indus-ies which are not likely to e taken up in the near future or indigenous manufacture ecause it might not be econo-nically viable in relation to he limited demand for such quipment. In respect of such apital goods industries, the owering of import duty has been suggested with a view to educing the overall cost of nvestment in new units or ex-pansion. These items of equip-ment are eligible to be import-ed by actual users under the Open General Licence subject to applicable conditions. The decision of the government of India in regard to concessional duty has been announced separately.

Cost Competitiveness

The committee made several recommendations for improve-ment of the efficiency and cost competitiveness of the Indian capital goods industry. One of them related to the reduction of duties on certain categories of imported raw-materials required by the indigenous manufacturers. This recommendation has been implemented by reduction of import duties in respect of the raw-materials to 40 per cent from the significantly higher levels than existing. This was with a view to improving the cost competitiveness of the Indian capital goods industry.

Another recommendation re-lated to the progressive and selective exposure of indi-genous machinery manufac-turers to international compe-tition and achieving in the process the requisite optimisa-tion in scales of production as also process and production technology.

Investment Costs

The committee kept in view the need for reducing the over-all cost of investment in industries of national priority as also the requirements of affording due protection to indigenous industry. The list of such industries, which has been considered and accepted by the government with this end in view, is contained in Annexure-1.

Units taking up projects/ substantial expansions in this category of industries will be permitted to invite global tenders for all the equipment which the project would desire to procure irrespective of the fact whether the equipment is manufactured indigenously or not. The proposals will be considered and decided by an Empowered Committee set up in the Department of Heavy Industry under the Chairman-ship of Secretary (Heavy Industry) and consisting of members representing the concerned ministries of the government of India.

Project authorities intend-ing to avail of the facilities given above would be required to invite global tenders through the *Indian Trade Jaurnal* or the *Indian Export Service Bulletin*. The notice for inviting global tenders should be valid for a mini-mum period of 60 days and indicate the items of capital equipment and conform to the manufacturing specifications applicable to indigenous industry. Deviations will be permitted in the interest of upgradation of technology directed towards reducing end-product costs and optimisa-tion of resources. However, care should be taken to ensure that advertised specifications are not tailored to suit only specific sources of supply. The Empowered Committee would be prepared to provide any assistance that may be requir-ed by the project authorities at the pre-tendering stage.

New Procedure

After receipt of the orders, if any, following the advertise-ment procedure indicated above, the project authorities may submit the applications to the Department of Heavy Industry (Empowered Com-mittee Secretariat) as to the capital goods they propose to procure (either imported or indigenous or imported/indi-genous), along with compari-sion statements between the Indian and foreign offers on the landed cost basis, i.e. in respect of foreign offers, it would be c.i.f. cost plus the import duty as applicable. The Indian competing firms, there-fore, would enjoy a tariff protection of 40 per cent in most of the cases. In case, however, of fertilizers and newsprint projects, where the import duty had been reduced in 1976-77 from the general 40 per cent ad-valorem level to 30 per cent the evaluation will be made on the basis of a 40 per cent import duty at landed cost basis.

Import Approvals

The Empowered Committee will consider the applications of the project authorities and accord clearances for imports from source of foreign ex-change, which will also be indicated by the committee. The applications will, in the normal course, be disposed of by the committee within a period of eight weeks from the receipt of applications, com-plete in all respects. Appro-vals of imports accorded by the Empowered Committee will be communicated to the office of the Chief Controller of Imports and Exports for issue of connected import licences. It has further been decided that indigenous sup-pliers of equipment selected under this scheme will be permitted to import raw-materials, components and other related inputs without any restriction from the angle of indigenous avail-ability for the manufacture of such capital goods. Such clearances will also be accord-

ed by the Empowered Committee. The rate of import duty on such supporting imports would not exceed the rate of import duty leviable on the concerned capital equipment.

Approved List

The Sondhi committee also identified a list of capital good which are currently being manufactured in India and in respect of which adequate protection has been obtaining under the prevailing level of import duties. The government has considered the list and have approved of a list of industries which will be eligible to be imported by any Actual User from the appropriate source of foreign exchange. The list of such items is given in Annexure-II. It is the intention of the government to enlarge the list progressively so as to promote competitiveness and technology upgradation over a wider area of the indigenous capital goods industry. Import of these goods will be allowed under open general licence, subject to the following:

(i) The value of the item sought to be imported does not exceed Rs 10 lakhs;

(ii) The advertisement procedure shall be followed irrespective of the value of capital goods proposed to be imported. The advertisement should incorporate a clear affirmation by the intending importer that the capital goods proposed for purchase represent the items covered by Annexure-II;

(iii) After waiting for 45 days from the date of advertisement so as to enable interested indigenous suppliers to offer, the intending importer will execute an affidavit, sworn before appropriate judicial authority, to the effect that he had advertised, according to the prescribed procedure his requirements and that the items advertised are covered by the list contained in Annexure-II.

(iv) The above affidavit in original and a photostat copy of the advertisement should accompany the application to be made to the authorised foreign exchange dealer for release of foreign exchange;

(v) Where the value of capital goods covered by Annexure-II is more than Rs 10 lakhs, the importer will submit the application in the capital goods form together with the affidavit in original and a photostat copy of their advertisement to the Chief Controller of Imports & Exports for grant of an import licence;

(vi) To facilitate post-facto monitoring of imports under both the categories, the importer will simultaneously send to the DGTD (Capital goods Monitoring Division) a statement showing full details of offers, if any, received from any of the Indian manufacturers/suppliers, as well as capital goods items to be actually imported;

(vii) No second-hand items will be allowed to be imported;

(viii) No application for the import under deferred credit arrangements will be considered and no such arrangements is permitted against Open General Licence.

It is stressed that import of such goods will be permitted without any scrutiny from indigenous angle and import licence will be issued against appropriate source of aid and/or free foreign exchange. So far as projects financed under IBRD/IDA credits are concerned, however, the existing arrangements for global tendering under the procedures of these credits will continue to apply.

While taking these decisions for freer import of capital goods and exposure of our capital goods industry to a greater measure of international competition, government have kept in view the need for allowing the our industry to make maximum use of the economies of scale. The proposals from such industries for appropriate expansions will be considered on merits. While it is recognised that such a measure will have a varying impact on different units of the industry, it is considered that from the overall point of view, it will be for the larger benefit of the Indian capital goods industry. In fact, the availability of better and cheaper goods will enable intermediate and consumer goods to be produced for the domestic market at lower cost.

Improved Production

Improved production, both qualitatively and price-wise, of intermediate and consumer goods by indigenous industry will improve overall export prospects. It is also recognised that more liberalised facilities will be required to be given to indigenous industry for imports of technology in order to promote upgradation, quality control and cost competitiveness. The government would view favourably proposals received to meet these objectives.

Government has also kept in view the need to have periodical reviews of the impact of these measures in the various sectors of the economy. The Empowered Committee in providing clearances will, to the extent possible, ensure that foreign manufacturers do not quote uneconomically low prices and derive unintended benefits from these measures. The Empowered Committee in the Department of Heavy Industry will review the items placed on Open General Licence and recommend addition and deletions thereto every six months in the case of Annexure-II items and every year in the case of Annexure-I and OGL items and take such action as may be necessary to give the required directions to these measures for lowering the cost of investment, in order to impart the requisite acceleration to the economy and improving the efficiency and cost competitiveness of the Indian capital goods Industry.

Annexure-I

In the case of capital goods for the following industries/projects, the applicants will be permitted to call global tenders, irrespective of whether some of it is manufactured indigenously or not:

(1) Fertilizers.

(2) Newsprint and paper.

(3) Basic drugs.

(4) Basic technical material for pesticides and weedicides.

(5) Power generation, transmission and distribution.

(6) Mineral exploration, mining and beneficiation.

(7) Petroleum exploration and production.

(8) Petrochemicals upto the stage of polymers.

(9) Manufacture of professional grade electronic components.

(10) Waste disposal recycling and effluent treatment projects and ecological engineering.

11) Materials handling pro-
s at ports.
12) Sugar.
13) Cement and cement
ducts (including asbestos).
14) 100 per cent export-
ented industries.

Annexure-II

ist of capital goods allowed
der Open General Licence
ring April 1978—March
79.

PART 'B'

1. Capstan lathe, hexagonal
rret, upto 50 mm bar-cap.
2. Turret lathes, hexagonal
rret type upto 108 bar cap,
d 800 mm swing cap.
3. Centre lathe, cone pul-
y type, all sizes.
4. Multi-tool production
the (other than automats)
pto 400 mm swing cap.
5. Radial drilling machine,
levating arm type ,upto 50
m drilling cap in steel.
6. Knee type horizontal/
ertical / universal / milling
achine with or without
lectric eye control upto a
able size of 425 mm x 1800
m.
7. Standard mechanical
haping machine upto 850
m stroke.
8. Standard mechanical
lotting machine upto 450 mm
troke.
9. Crankshaft regrinding
machine.
10. Universal tool and
cutter grinder upto 315 mm
swing cap.
11. Carbide tipped tool
grinder with lapping.
12. Hack sawing machines
upto 300 mm dia. bar.
13. Gilliotine shearing
machine upto a ca. of 13 mm
thick plate x 3 metres length of
cut.
14. Wire drawing machine.
15. Wire pointing machine.
16, Rivetting, hydraulic
squeeze type, portable.
17. Portable pneumatic
tools;
(i) Rivetting hammers.
(ii) Chipping hammers.
(iii) Grinders.
(iv) Die-grinders.
(v) Drills
(vi) Impact wrenches
(vii) Rivet cutter.
18. Valve face regrinding
machine.
19. Centreless bar turning/
peeling machine.
20. Mechanical press brakes
capacity upto 530 tonnes.
21. Hydraulic presses upto
100 tonnes cap.
22. Mechanical presses upto
630 tonnes.
23. Poldi hardness tester.
24. Watch making machine.

Baggage rules relaxed

Revised rules have been announced regarding personal baggage allowance for Indians returning from abroad or tourist visiting this country. The rules came into force from May 16.

AFTER 1974 the passenger traffic at the international airports in India has been increasing at a fast rate. At Bombay, the number of incoming passengers in 1975 was about four lakhs which in 1977 reached the figure of 6.85 lakhs. Similarly, at Delhi, the number of incoming passengers increased from two lakhs in 1975 to about five lakhs in 1977. The increase in passenger's traffic, coupled with bunching of flights and the introduction of wide bodied aircrafts resulted in unusual high peak hour traffic at these two airports.

In an endeavour to facilitate and quicken the clearance of passengers and their baggage the government had appointed an expert committee to recommend changes that are necessary in customs, immigration and health regulations and procedures to accelerate the clearance of passengers. Considering that simplifications of baggage rules and customs clearance would itself substantially contribute to speeding up the pace of clearance, the committee in the first part of their report made recommendations for the amendment of the Baggage Rules/Import Trade Control public notice.

On the basis of the recommendations of the committee as accepted or modified by the government, revised Baggage Rules as well as ITC public notices were issued. The salient features of the revised baggage rules are as follows:

Considering that the existing baggage allowance of Rs 500 was fixed in 1970 and since then the prices have risen the world over and also taking into view that according to normal social customs, the returning passengers have to generally bring gifts for friends and relatives, the duty free allowance has been raised to Rs 1000.

Similarly, passengers who were engaged in their profession abroad for over three months will on their return to this country be allowed to import used household articles such as linen, utensils, kitchen appliances upto a value of Rs 1000. Hitherto this concession was restricted to Rs 500 only.

At present, the import of professional equipment is restricted in its scope. According to the new baggage rules, doctors, engineers, scientists and technologists would be allowed to import professional equipments upto Rs 5000. Items of common use such as camera, typewriter, cassette recorder and dictaphone will, however, not be allowed as professional equipment.

Jewellery in actual use of a passenger who has been residing abroad for over one year has been raised from Rs 1000 to Rs 1500 in the case of a male passenger and from Rs 2000 to Rs 3000 in the case of female passenger.

At present, the nationals of Sri Lanka are governed by separate baggage rules. The revised baggage rules will be applicable to Sri Lanka nationals also.

The baggage concessions admissible to passengers arriving from countries having common borders are being reviewed. Pending re-examination of the question of extension of baggage rules to neighbouring countries on the basis of reciprocity, the Baggage Rules, 1978, are being made applicable to passengers coming from Bangla Desh.

At present foreign tourists are not allowed to import any articles for giving gifts. The tourists of foreign origin sometimes have friends and relatives in India and they also make friends before leaving this country to whom they may like to make token gifts. The revised bakgage rules, therefore, provides for import of

articles upto Rs 500 by foreign tourists for giving gifts.

According to the existing Tourists Baggage Rules Indian nationals who are normally resident abroad when visiting India for a short period to meet their family or for any other purpose are not allowed to import free of duty any articles for giving gifts unless they are visiting this country after a continuous stay abroad of two years. This restriction has been causing genuine hardship. The revised Tourist Baggage Rules provide that tourists of Indian origin who visit India for a short period will be permitted to import goods of a value of Rs 1000 for their own use or for giving gifts.

In addition to items of personal effects which can be imported by tourists on the condition that they will be re-exported by the tourist on leaving the country, under the new Tourist Baggage Rules, professional equipments, audio visual aids, cine equipments and television equipments can also be imported provided a written undertaking is given by the tourist for their re-export.

Transfer of Residence

Under the Transfer of Residence Rules which have been in force upto now a passenger returning after a stay of more than two years but less than three years was not entitled to import a number of items free of duty even when they had been in his use abroad. The distinction in the Transfer of Residence Rules between passengers returning after three years stay abroad and those returning after two years is being done away with in the revised rules.

Under the Transfer of Residence Rules, 1971, personal and household effects of a person transfering his residence after two years stay abroad can be imported free of duty provided he transfers his residence for a minimum stay of one year and the goods have been in his possession and use abroad for about one year. However, motor vehicles, vessels, aircrafts, cinematograph films of 35 mm and above will not be covered by these rules. Further, air-conditioners, refrigerators and deep freezes even when satisfying the conditions laid down under the Transfer of Residence Rules will be chargeable to duty equivalent to 50 per cent of the central excise duty chargeable on like articles produced in India.

Professional Equipment

At present costly professional equipments, instruments and appliances when imported by scientists, doctors or engineers are not allowed to be imported free of duty. According to the revised Transfer of Residence Rules, a highly qualified scientist, technologist, doctor or engineer can import professional items upto a value of Rs 30,000 and the same would be cleared free of duty. This measure is intended to provide incentives to highly qualified persons to return to this country.

In addition to the concessions for importation of articles free of duty under the Baggage Rules, passengers are also allowed to import articles upto certain limits on payment of duty but without import licence in terms of the Import Trade Control public notice issued by the Chief Controller of Imports and Exports.

The present public notice lists certain articles which alone can be imported by the various categories of passengers on payment of import duties. Unlike the existing public notice the revised public notice mentions only those items which will not be permitted to different categories of passengers, so that except for the listed items the passenger may be able to import items of his choice.

The non-tourists will be permitted to import items, except television set, air conditioner, refrigerator and deep freeze upto a value of Rs 2000 on payment of duty.

Passengers who have been engaged in their profession abroad for over three months would be allowed to import articles upto Rs 5000 on payment of duty.

Import of firearms by non-tourist passengers and non-tourists who have been engaged in their profession abroad for over three months will be permitted on payment of d subject to the condition t the passenger has not impor the same category of firear during the last 10 years a in the case of pistols a revolvers they are of a b .32 or smaller.

A tourist of Indian ori will be eligible to impo except firearm, television, conditioner, refrigerator presentation as gift or sou nirs upto a value of Rs 50 on payment of customs du in convertible foreign currenc

Within the allowances adm sible under the public noti to various categories of pa sengers the value of sma articles like perfumes, cosm tics, synthetic and blende fabrics and garments in exce of Rs 500 will not be allowe

The public notice als provides that one dog an other domestic pets in limite numbers may be allowed wit out import licence but on pay ment of customs duty that ma be leviable.

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Bhoothalingam Committee Report 1100

Ape minus essence

THE APPOINTMENT of the Bhoothalingam study group was a tongue-in-cheek act on the part of the present government. Producing its report, the committee has promptly put its foot into its mouth. During the short period it has been in office, the Janata ministry at the centre has set up a record for non-starters in the matter of reports submitted by the various commissions, committees, panels, working parties, study groups etc, which it has been making prodigal use of for the purpose of evading its own responsibility for major policy decisions on complex or controversial issues. Among these non-starters, the Bhoothalingam report easily takes the cake.

The committee prescribes a national minimum wage of Rs 150 per month to be reached by stages and recommends that a start should be made by fixing a minimum daily wage of four rupees. Since the per capita national income is already around Rs 1,100 per year, Mr Bhoothalingam and his colleagues have a lot to be modest about. In any case, in a country where there is chronic mass unemployment and under-employment and the poorest or the most vulnerable sections of the community find that there is only a seasonal demand for their labour, the formal declaration of a national minimum wage can only be an empty gesture. It is indeed surprising how the committee came to the conclusion that its proposal was in any way an improvement on the existing situation in which legislative protection is available for minimum wages in sweated industries or those categories of employees who do not have normal bargaining power vis-a-vis their employers. There is of course a genuine need for more effective enforcement of Minimum Wages Acts by the state governments and a case may also be made out for extending the scope of this protection. But, then, it would not have suited the committee to keep its nose to the ground.

Its views on how future wage agreements should further the objective of reducing disparities in incomes among different sections of workers may have been prompted by a certain kindness of heart but they are not supported by any strength of reason. It suggests that the relatively low rates of wages in some industries should be enabled to come up faster so that they could catch up with the relatively high rates in other industries. There is no doubt a great deal of force in the argument that there should be similar payments for similar work, but it is completely unrealistic to suppose that wage settlements in industries or industrial units could ignore differences in earnings or profits among different business undertakings. How is it possible at all to convince workers in a relatively prosperous business enterprise to agree to lower rates of increase in their emoluments merely by pleading that workers in less profitable businesses should be given a chance of improving their relative position? More important still, how are industries with low earnings to be helped to push up their wage bills faster than those industries which are more prosperous? Is it possible that the Bhoothalingam study group had a vague idea of compulsory transfer of funds from the more profitable industries to the less profitable for the laudable objective of reducing wage disparities?

Equally unrealistic is the recommendation that bonus should be replaced by social security benefits including pensions. It has been argued in some quarters that this proposal goes against the concept of bonus as deferred wages. This criticism, however, is not valid since pensions and other social security benefits could also be interpreted as deferred payments of wages. A more valid objection is that the families of workers or other families receiving bonuses have come to depend on these lump sum payments for meeting special expenditures such as those on purchases of consumer durables for their households and luxury or semi-luxury items for personal use and the cost of holiday or other travel. It is also fairly common for bonuses to be "banked" or otherwise saved for meeting some substantial capital or consumption expenditure as buying or building a house, providing for the higher education of children or celebrating marriages. It is also true that bonuses often help a family to

defray unexpected expenses of a substantial nature, such as heavy medical bills, or the cost of funerals, without incurring debts for the purpose. It is amazing that the committee should have lost sight of these practical aspects and chosen to treat bonus money as 100 per cent potential saving for one's old age or for the benefit of one's heirs. The best that could be said of the committee in this context is that it might have desired to make a sincere effort to defuse the bonus issue, which is a frequent cause of intractable industrial disputes. Good intentions, however, are not enough and it is indeed said that the Bhoothalingam study group has not been able to make any positive contribution towards introducing order into the chaos of the bonus issue by framing some constructive guidelines for further study by the government and organisations of employers and workers.

maladroit report

The Bhoothalingam report is equally maladroit in its treatment of the issue of dearness allowance. It suggests that dearness allowance should be de-linked from wages and related to the cost of living index and made payable to all employees. Surely the cost of living basket is not the same for the various income groups and, logically, the higher income earners should be entitled to higher rates of dearness allowance by reference to their patterns of consumption. Broadly speaking, the prices of commodities bought by the more affluent classes are likely to rise faster than the prices of mass consumption goods and services since government policy is accustomed to exercise administrative control over the latter. If it is the purpose of the Bhoothalingam study group that there should be no discrimination in the payment of dearness allowance, the practical result will be that the higher income groups will benefit from higher dearness allowance. Can such a proposition pass muster at all?

Possibly the most muddle-headed part of the report is its proposals relating to high incomes and top salaries. It is indeed surprising that the committee should have advocated the return of the ceiling on dividends as a permanent feature of income or fiscal policy even after experience has clearly shown the harm done thus to the investment climate. Equally insensitive to consequences is its over-clever formula for imposing a ceiling on what the committee describes as "consumption and private investment". It has put forward two alternatives for this purpose. The first is that the whole of the "excess income" should be required to be deposited into a special account with the government. The deposit will remain the property of the individual and will pass on to his legal heir after his death, but the individual will have the freedom to withdraw any desired amount at any time, subject to the condition that the amount so withdrawn would be added to the year's income and taxed. The second option is that the income earner may invest his "excess income" in approved forms of savings, but any withdrawals from these savings would be treated as a part of taxable income. If neither of these alternatives is accepted, the committee has yet another rabbit to pull out of its hat. It recommends that penal marginal tax rates should be imposed without any facility for deduction of savings. These recommendations alone are enough to justify the report being thrown into the waste paper basket sinc they make nonsense of any attempt simplifying or humanising the tax law and are also quite contrary to any con cept of fiscal policy which could hope t encourage voluntary savings and inves ment.

The committee emphasizes that it recommendations will not take a singl rupee away from present wages, salarie or other earnings. At the same time claims that the various steps advocate by it would improve the relative positio of the lower income groups. This possible only if there is a sufficient rate o real growth of the economy. The com mittee seems to assume that there will b this growth. Unfortunately, its ow intellectual exercises, as embodied in th report, may not assist the country i achieving this goal. Perhaps Mr Bhootha lingam and his colleagues are uneasil aware of this and hence their attempt t shift the specific responsibility for th application of their ideas to a number o committees which they have advised th government to set up. Nothing has don more to damage the credibility of thi report than this indecent lack of birt control.

Eastern Economist 30 Years Ago

JUNE 4, 1948

Almost an effort of memory is required to recall the popular enthusiasm for constructive nation building and the idea of planned development which the Bombay Plan aroused when it was first published at the beginning af 1944. Since then many things have happened, most important among which is the attainment of national freedom. One would have thought that the great event would have only served to activise the public demand for the practical realisation of the Bombay Plan. Unfortunately, this has not been the case. The aftermath of partition has created a number of problems in the political sphere, which have tended to dominate the national consciousness and monopolise the national effort. Even in the strictly economic sphere, the physical shortages of essential commodities and the Government's persistent failure and their almost chronic inability to deal effectively with this problem have ver nearly induced the people to give up all hopes o any speedy return even to the pre-war condition of living, let alone better standards.

In these gloomy circumstances, a few hav nevertheless refused to give up all hopes of deve lopment and have persevered with the plannin idea against all odds. Among them, Mr G. D Birla is easily the most outstanding and his en thusiasm and ceaseless effort to restore plannin consciousness deserves the greatest praise. He ha been utilising every occasion to drive home th idea that an improvement in the mass standard o living is not only necessary and desirable but als possible and that within say a period of fiv years, definite results can be achieved if only w work in concert for agreed goals and accordin to plan.

Railways and the coal crisis

A SHORTAGE of coal is currently being experienced almost all over the country, while the industries in Tamil Nadu, Karnataka, Andhra Pradesh and parts of Maharashtra are particularly hard hit. The paucity of coal has affected the railways also, resulting in the cancellation of a number of trains. According to Coal India Ltd (CIL), it is the failure of the railways to manage wagon movement properly which has landed the country in this difficult position. Surely, it is the absence of coordination between the ministries of Railways and Energy which is the root cause of the trouble because it is claimed by the CIL that more than 10 million tonnes of coal is still lying at the pitheads and the railways are not in a position to provide sufficient wagons for their movement. A large quantity of coal is now moving by road which again is a potent indicator of the inefficient working of the railways. Realising the limitations of the railways, the CIL has made arrangements for the movement of coal by ships to south Indian industrial units.

stagnant production

The production of coal in 1975-76 and 1976-77 stagnated around 101 million tonnes. A working group appointed by the Planning Commission in September last year for the formulation of policies and programmes for the five-year period 1978-79—1982-83 estimated that the demand for coal was expected to rise to 112 million tonnes in 1978-79. The annual plan for 1978-79 was therefore drawn up with a production programme of the order of 113.5 million tonnes. Against an investment of Rs 190.05 crores in 1977-78, the Plan proposed an investment of Rs 222.11 crores in 1978-79 for raising the production capacity of the various subsidiaries of the CIL, Singareni Collieries Company Ltd (SCCL) and the coal mines under TISCO and IISCO. But unfortunately the production programmes of these subsidiaries have come up against certain hurdles in the very first quarter of the current financial year. First came the go-slow and strike at the Indian Explosives Ltd and the Indian Detonators Ltd. The coal mines received reduced quantities of explosives—almost one-third of their requirements. Then came the strike at the SCCL which was expected to produce more than 80,000 tonnes coal a month—10 million tonnes in all in the current year. There was partial strike between April 14 and April 30 while there was no production between May 1 and May 8. It was only on May 19 that the strike was called off completely but the labour trouble extending over more than a month threw out of gear the plans for production as well as movement of coal.

distress calls

Understandably, distress calls were sent from Madras to the ministry for Energy as six out of seven cement units in Tamil Nadu were facing closure due to the acute scarcity of coal. Even after the ratification of the decision that a part of the coal needed by the southern states should be moved by ships, the supply of coal would remain inadequate for some time making the performance of the industrial units rather uncertain.

It will be wrong to assume that the go-slow at the units supplying explosives and the strike at the SCCL were the only causes for the current malaise in the supply of coal. In fact discipline in the railways has slowly but steadily broken down and the railway workers have assumed a defiant attitude. Go-slow tactics adopted by the railway workers have affected the general working of the railways and, therefore, the improvement in the movement of wagons which is vitally needed is not expected to materialise in the near future.

At the present time, the railways are indeed under great pressure due to the movement of foodgrains from the northern states to the southern states. The bumper rabi crop has already flooded all the markets in the northern states and the godowns are over-flowing with grain. The railways are trying to move as much as they can but obviously, despite the past experience, they are not equal to the task. On top of that the railways have been called upon to move massive quantities of imported cement and fertilizers. Result: The railways are not able to cope with the challenging situation which has emerged due to the various factors listed above.

administrative deficiency

The current crisis in the railways is more due to administrative deficiencies than the shortfall in the availability of wagons. The Railway minister, Mr Madhu Dandavate, has proved to be unequal to the task. His policy of continued appeasement of labour has borne negative results. Even if the ambitious expansion programme drawn up by the Planning Commission for the period 1978-79—1982-83 materialises, it will be difficult to draw full benefits from it if the labour continues its defiant attitude.

The draft Plan for the period 1978-79—1982-83 envisages an almost 50 per cent increase in originating freight traffic on the railways. As against the traffic offerings of 214 million tonnes in 1977-78, the draft Plan expects it to rise to 300-313 million tonnes in 1982-83.

Announcement

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The financial outlay provided for this purpose is of the order of more than Rs 3,000 crores. The additions to wagon capacity are estimated to be around 43,000 besides 30,000 replacements. At the same time, significant expansion is planned for coaches and locomotives. But mere addition to capacity will not do. Prof Dandavate will have to ensure efficient use of man and machinery so that the massive investments made in the railway system are used profitably without any bottlenecks in the production process.

Japan—market for jute

THOUGH INDIA'S jute industry has been in existence for nearly 125 years, till now it had not given proper attention to the promotion of exports to Japan. Its major markets have been in the USA, Canada, west Europe, east Europe, west Asia and Africa and Australia. However, it is gratifying to find that recently the industry has been trying to step up its exports to Japan. For the first time, a delegation under the leadership of Mr S.K. Palit, the jute commissioner, visited Japan in April this year to study the prospects in that country and to persuade Tokyo to effect appropriate changes in its import policy with a view to facilitating the export of our jute goods. The delegation which included representatives of the jute industry and trade has found that it should be possible for India to increase and diversify its exports to Japan. Her annual requirements of jute goods have been of the order of 80,000 tonnes of which 30,000 tonnes are produced locally. India's share has been about 20,000 tonnes including 15,000 tonnes of carpet backing, the other suppliers being Thailand and China.

industry's confidence

The delegation has found that out of Japan's total packaging requirements, 50 per cent is met by paper bags, 35 per cent by jute and 15 per cent by synthetics. At a press conference held in Calcutta recently Mr Palit, Mr K.K. Kanoria, deputy chairman of the Indian Jute Mills Association, and Mr Lalit Toollsidas, chairman of the Calcutta Jute Fabrics Shippers' Association, explained that the industry was confident of capturing a bigger share of the Japanese market provided the government of India was willing to give some incentives to make its prices more competitive. They said that Japan was not interested in expanding its jute industry because of the increasing labour costs and overhead expenses. In fact, there are at present only four mills compared to 11 a few years ago. In this situation, New Delhi should examine to what extent it can afford to subsidise the industry. The fact that the jute commissioner himself led the delegation and had the opportunity to study on the spot the prospects for augmenting the exports to Japan encourages the hope that the Commerce ministry will be inclined to consider favourably the industry's demand for export subsidy.

importers' unhappiness

The Japanese importers are said to have expressed their unhappiness over the decision of the government of India to withdraw the 10 per cent subsidy on hessian since this has reduced its competitiveness. The government should re-consider its decision and restore this incentive and also examine in what other ways it can actively assist the industry to consolidate the market in Japan.

Reduction in the shipping freight will be another effective incentive but it seems doubtful if this can be achieved in the near future. For the last several years, the industry has been drawing the attention of the government of India to the sharp and sudden increases in the ocean freight rates which have adversely affected its exports to many markets in the world. According to the General Agreement on Tariffs and Trade (GATT), the freight element normally should not exceed 12½ per cent of the f.o.b. value of the export products but because of the excessive freight rates charged by the various conference lines, the f.o.b. prices had to be marked up to the extent of 20 to 30 per cent. For China and Thailand, freight forms only about 12 per cent of the value of their export to Japan. Besides, it is alleged that discrimination is also shown by the liner conference serving the Bangladesh-India-Japan route. For instance, a higher freight rate has been charged for Indian jute goods from February this year but it has been applicable to Bangladesh only from April. The government of India should look into complaints of this kind and try to bring about a reduction in the shipping freight rates.

cut in duty

The government of Japan should sympathetically consider India's request for a cut in its import duty on jute goods. Japan has imposed an import duty of 16 per cent on sacking and eight per cent on woven fabrics but under the Generalised System of Preferences, quotas for sacking bags have to pay a concessional duty of eight per cent while tariff-free entry is allowed for hessian, carpet backing and other woven fabrics. As Japan has lately been keen to adopt a liberal import policy, it is hoped that India's request for tariff concessions will be readily conceded. The delegation has said that the Japanese Jute Mills Association has expressed its displeasure at the fact that last year while the State Trading Corporation and the Jute Corporation of India offered discounts on the sales of carpet backing and hessian to the USA, no such facility was given to Japan. Our case for tariff reduction is likely to be heeded more readily by Tokyo provided New Delhi also takes appropriate measures to lower the prices of jute goods.

It is indeed encouraging to hear from the delegation that the Japanese importers have conveyed their satisfaction with the performance of Indian exporters in regard to quality and delivery schedule. In recent years complaints have been made about the quality of our jute goods by the importers in many countries including the USA and west Europe. There have also been complaints about the jute goods sold to the Directorate General of Supplies and Disposals for the storage of

foodgrains that the B-Twill bags are of light weight and that the seams burst under pressure.

As Japan is a new market, the industry should take special care to see that there is no room for dissatisfaction on account of quality. It is also important that despite the severe shortage of power, the mills should make every effort to adhere to the delivery schedule. The industry has expressed concern at the prospect of an acute scarcity of raw jute in the coming months. As in the previous years, industry and government have expressed different views about the availability of raw jute. In view of the encouraging outlook for export to traditional markets and to new markets like Japan, the government should assess the fibre situation realistically and take timely measures to provide the industry with all the raw jute it needs to maximise production.

Groping in the dark

THE MONETARY authorities are at a loss to decide what should be the correct credit and money policy for meeting the requirements of industry and trade and small borrowers. When the Finance minister decided to abolish the levy on interest income derived by banks on some categories of advances in March this year and there were constitutional changes in the structure of interest rates relating to deposits and advances of banks, it was thought that a definite bid was being made to reverse dear money concepts. However, the anticipated lowering of the bank rate, at least marginally, has not materialised and recent developments suggest that the governor of the Reserve Bank is in two minds in making available liberal and cheaper credit. Indeed, the latest moves of RBI indicate that no definite retreat from dear money is contemplated and there is also anxiety to restrict the growth in money supply.

illogical concept

The terms of the new central loans floated on May 15, 1978 were conceived illogically as there was no need for disturbing the structure of gilt edged securities and creating a depreciation in the market value of government securities and bonds by one to two per cent. As the impression was deliberately given in earlier months that the privileged borrowers would make an attempt to secure the requirements on cheaper basis and the duration of the long-medium and long-dated loans was extended with no change in interest rates, banks were keen on increasing the proportion of these types of securities to total holdings. This policy has now proved to be costly with the floatation of a long-dated loan carrying interest of $6\frac{3}{4}$ per cent. The sale of the new loan at Rs 100.20 by the Reserve Bank has necessarily resulted in a drop in the rates for $6\frac{1}{4}$ and $6\frac{1}{2}$ per cent loans by over two per cent and the holders are in a quandary about what they should do and how their existing portfolios should be reshuffled.

new contradictions

There are also new contradictions announced by the Reserve Bank on May 15, 1978. The decision of the Reserve Bank to reduce the quantum of refinance against procurement credit has of course not come as a surprise. The objective has been to avoid creation of credit for this purpose and owned funds of banks have been utilised in greater proportion over a period and assistance provided by the Reserve Bank has been gradually reduced. Thus the base limit has been raised from Rs 400 crores to Rs 1000 crores, further to Rs 1,500 crores and beginning from June 1, to Rs 2,000 crores. It will now be possible for banks to secure refinance only in respect of the excess over Rs 2,000 crores. The adjustment did not really have any significance as on the date of annoucement, the refinance against food credit was only Rs 35.11 crores against the quota of Rs 265.56 crores on the previous basis. The outstanding food credit was Rs 2031.30 crores. The lending institutions were keen on expanding food credit out of their own funds as the credit deposit ratio was declining steadily and the opportunity was used for reducin borrowings from the Reserve Bank an minimising interest charges.

The changes in other directions, how ever, have come as a surprise. The attempt to immobilise a larger proportion of fresh deposits is really not understandable when the Reserve Bank has been directing member banks to increase assistance to small borrowers in the priority sectors, and provide also term loans to industrial units and public bodies. It has now been directed that 50 per cent of incremental non-resident deposits should be immobilised from June 7, 1978 over and above the impounding of 10 per cent of the incremental deposits. The cash reserve ratio will remain unchanged at five per cent.

correct import

What exactly is the correct import of these impounding procedures? While the Reserve Bank may claim that the objective is to prevent an undue increase in money supply and there is no dearth of resources for productive purposes, the net result might be the emergence of a squeeze in the money market over a period even with a marginal permissible increase in non-food credit and rise in food credit. The significance of this observation will be understood if it is explained that the lending institutions have been virutally put in a straitjacket even with the present low level of credit expansion and the Reserve Bank will have to be approached for securing discretionary accommodation in spite of the fact that there will be no dearth of resources.

The growth in deposits of the scheduled commercial banks was nearly Rs 5,300 crores between January 14, 1977 and May 5, 1978. As 10 per cent of the incremental deposits had to be impounded apart from maintaining a higher cash reserve ratio and the statutory liquidity ratio also had to be observed, an amount of Rs 1047 crores had to be segregated for observing the directives relating to impounding of deposits and cash reserve ratio. The statutory liquidity ratio would require the disposition of another Rs 1,747 crores in the prescribed manner. Only the balance of Rs 2,406 crores was techni-

ally available for expanding credit for arious purposes. It was, however, not ecessary to utilise even this residual alance, as there was actually a con- raction in food credit during the period nder reference by Rs 265.56 crores and ggregate advances increased by Rs 1,724 crores. There was even a problem of deploying the funds and borrowings from the Reserve Bank were systemati- cally reduced.

The situation, however, will be different in the coming months as there may be a net increase in food credit by Rs 500 crores and non-food credit too may have to be expanded by Rs 2000 crores and even Rs 2200 crores calling for an aggregate credit expansion of Rs 2,500 to 2700 crores. Against this, the growth in deposits may be Rs 4,500 crores and banks will have at their disposal after meeting all statutory obligations, only Rs 2,050 crores. There will thus be need for seeking assistance from the Reserve Bank for even Rs 650 crores.

This reliance is totally unnecessary. And, if credit has to be expanded really in rural areas for raising the credit deposit ratio and meeting also the requirements of the borrowers, and there is also an increase in advances to industry and trade, a squeeze will be inevitable. What then is the meaning of the latest policy and how does the Reserve Bank expect the member banks to increase their lending when there is an artificial scracity of resources?

There is really no need for any panic about the growth in money supply with bulging foreign balances. The inflationary impact of money supply has not been significant in the past 12 months as wholesale prices have even tended to decline and the central and state governments have been urged to increase plan spending and provide also assistance to industry and trade for expanding capacity and increasing production. There is of course need for increasing production of steel and cement and some other items. But shortages can be eliminated through a regulation of exports and increase in imports wherever necessary.

These small difficulties apart, there are no major bottlenecks as bumper harvest of food and cash crop have kept in check inflationary pressures, The Reserve Bank should not, therefore, create unnecessary difficulties in the way of banks and there is no use blowing hot and cold when avenues of fresh lending are restricted and banks themselves are adopting a cautious policy in extending loans in new directions. The higher rate of interest on impounded balances is of course aimed at compensating banks the loss sustained through immobilisation. But they prefer to earn more through constructive lending, and every facilities should be provided for this purpose though the emergence of undesirable trends will always be carefully watched and checked. What is needed now is liberal and cheaper credit and banks can lower lending rates even without lowering deposit rates with a streamlining of operations, higher credit-deposit ratio and elimination of losses on functioning of new projects as well as heavy loading in the shape of provisions against bad and doubtful advances and undue anxiety to strengthen inner reserves.

Raiding Bank Money

The case of the Central Bank of India loan to a textile mill violating all banking norms is getting curiouser and curiouser.

It is surprising that the government of India has ordered yet another inquiry into the affair, this time by the Reserve Bank of India. There is no point in asking RBI to go into "lapses and improprieties" as the Reserve Bank itself can be said to be a party to them. The unhealthy practice of RBI nominees sitting on boards of nationalised banks has destroyed the Reserve Bank's effectiveness as the statutory authority to regulate the banking industry and has made it a party to all lapses which take place at the board level.

This matter also shows up the inadequacy of RBI's Credit Authorisation Scheme whereby big accounts are supposed to be disciplined.

The reported argument of the present chairman of the Central Bank that "on a number of occasions the central office and the Bombay main office of the bank had either not kept him informed or had themselves not taken action which they were expected to take in terms of their responsibility" is amusing. If with regard to a major account, the chairman cannot keep himself briefed, there is no meaning in investing the chairman with powers of the chief executive to run a bank.

The public should realise that the inquiry process appears to be an effort to whitewash the affair. It is talked about in knowledgeable circles that the bank loan had nothing much to do with commercial considerations but was given at the instance of a political boss who had in turn collected a cut from it for his political party.

It is not only in Central Bank of India, but also in many other banks that crores of rupees have been distributed under political pressure, in some cases petty political bosses threatening the reluctant managers with arrest under MISA.

—M. R. PAI

CAPITAL'S CORRIDORS

R. C. Ummat

Agricultural research • Deficit in external trade • Rupee finance for equipment imports

THE MAJOR thrust of agricultural research in the next few years is envisaged to be on bringing about a further improvement in terrestrial and aquatic productivity. In addition, work is proposed to be undertaken on imparting greater stability to production through intensive research on agro-meteorology and pest management. Early warning systems of pest outbreaks and alternative cropping systems to suit different weather models will be developed. Contingency plans supported by appropriate seed reserves will be introduced to insulate, to the extent possible, crop production from weather aberrations.

In view of the increasing demand for non-renewable forms of energy, which is likely to be a critical limiting factor in improving crop and animal productivity in the coming years, more intensive research is to be undertaken in respect of the use of recycling techniques, improving photo-synthesis and integration of organic and inorganic nutrient supply with special emphasis on micro-biological improvements and pest management systems. Research on all aspects of post-harvest technology will also be greatly intensified so that higher value-added products can be prepared in the village itself. This will avoid quantitative and qualitative losses to the harvested produce.

Research in the area of agro-forestry involving silvi-pastoral systems and silvi-animal husbandry or silvi-aquaculture systems will receive particular emphasis. Increased attention will be paid to quick-yielding leguminous shrubs and trees for providing fodder, fuel and fertiliser through the fixation of atmospheric nitrogen and to conservation, cataloguing and utilisation of the major agricultural assets of the country.

Important farm animals like the buffalo and goat, which did not receive adequate scientific attention in the past, will be given special attention. In addition, research on all aspects of soil health care and fertility will be strengthened. All aspects of water management research will receive added stress in the light of the vastly expanded programme for irrigation. Research on the improvement of the productivity of areas affected by soil and water salinity and acidity will be intensified.

The Central Institute of Cotton will intensify research on improving the yield potential of rainfed cotton, including the development of hybrids of short and medium-staple varieties. Special emphasis is also to be put on research on oil seeds and pulses so that their output can be agumented. The possibilities of achieving a yield breakthrough in the production of jute, through such measures as introducing hybrid jute, will be explored.

Farming systems research will receive intensive attention through multi-disciplinary operational research projects. The major systems to be studied include:

a) multiple and relay cropping in irrigated areas;

b) rainfed farming in semi-arid and arid conditions involving water harvesting and run-off recycling on a water-shed basis;

c) inter-cropping and mixed cropping;

d) mixed farming involviug crop-livestock, crop-fish and crop-livestock-fish integrated production systems;

e) kitchen gardening, including home gardening, in appropriate areas:

f) three-dimensional cropping in garden lands involving an optimum use of the cubic volumes of space available;

g) integrated sea-farming involving a suitable blend of culture and capture fisheries; and

h) demonstration of the latest techniques of water use in irrigation commands.

In addition to giving immediate attention to techniques which can help farmers and fishermen to derive benefit from the existing technology, steps are envisaged to be taken to strengthen mission-oriented basic research through the establishment of national research centres of excellence headed by professors of eminence. These centres will devote attention to basic research in areas such as photo-synthesis, nitrogen fixation, animal reproduction, animal nutrition, organic recycling, phosphorus management, integrated pest management and the other fields recommended by the National Commission on Agriculture.

* * *

The turning of our external trade balance into a significent deficit last year from a modest surplus in the previous year has not been a phenomenon which should cause any surprise. In fact, what is surprising is that the deficit last year is estimated to be of the order of only Rs 600 crores, as against a much larger dimension which could have been expected had the government been able to draw down foreign exchange reserves to the tune of Rs. 800 crores as envisaged by the Finance minister in his last year's budget speech.

Our overall exports, including re-exports, during 1977-78 are provisionally placed at Rs. 5,252.67 crores, as against the corresponding provisional estimate of Rs. 4,980.6 crores for 1976-77. The final figure of last year's however may turn out to be around Rs 5,400 crores as in the past such upward revisions have been a rule rather than an exception. The supplementary and late returns for 1976-77 itself are stated to have pushed up the figure of that year's exports from

the provisional estimate of Rs. 4,980.6 crores to as much as Rs. 5,145.78 crores. If the final tally for 1977-78 exports turns out to be, as expected, around Rs 5,400 crores, the growth is exports in this year would work out to a shade lower than five per cent. The provisional estimates for 1977-78 and 1976-77, of course, suggest that the growth in exports in 1977-78 has been of the order of 5.4 per cent.

Imports last year are provisionally estimated to have grown, compared to the previous year, by about 18.8 per cent —to Rs 5,832.49 crores from Rs 4,908.2 crores. The supplementary and late returns are expected to push up the last year's imports figure to about Rs. 6,000 crores. For the previous year, the final tally is stated to be Rs. 5,073.95 crores.

The above indicates that whereas the rate of growth in exports last year tended to decelerate from a significantly higher rate in the earlier two years, the growth in imports was at a higher rate. The exports in 1974-75 aggregated to Rs 3,328.83 crores and in 1975-76 to Rs 4,042.81 crores. In 1973-74, they were of the order of Rs 2,523.40 crores. The imports in 1974-75 and 1975-76 amounted to Rs 4,518.78 crores and Rs 5,265.22 crores, respectively. They were of the order of Rs 2,955.37 crores in 1973-74. Imports in 1976-77 at Rs 5,073.95 crores thus, in fact, were lower than in the previous year. During 1973-74 we had incurred a deficit in our external trade to the tune of Rs 431.97 crores. It increased to Rs 1,189.95 crores in 1974-75 and further to Rs 1,222.41 crores in 1975-76. In 1976-77, there was a surplus on trade account to the extent of Rs 71.63 crores.

important factors

The slow growth in exports during the last year has been caused by several factors, the more important among them being (i) the growing trend towards protectionism in the developed countries; (ii) continuing recessionary situation in world economy; (iii) fluctuations in the dollar value of the rupee; and (iv) the deliberate policy of the government to regulate exports of several mass consumption items in the interest of the domestic consumer.

According to the latest survey of the International Monetary Fund, the growth in the volume of world trade in 1977 was just about five per cent, as against nearly 12 per cent in the previous year. This has been attributed to the protectionist tendencies in the developed countries and continued recession in the world economy. As a result of this, our exports of several products were affected. These included cotton textiles and garments, steel, certain engineering products, ores and leather and leather manufactures. The weather conditions in western Europe also affected our exports of shoes last year. The loss of exports of cotton textiles and leather and leather manufactures is estimated to have been around Rs 50 crores. In the case of steel, exports declined last year by about Rs 100 crores. Apart from the two reasons mentioned above, this was to some extent due to the internal demand for this item picking up.

The weakening of the dollar affected the rupee realisations from exports to the dollar areas particularly subsequent to November. The rupee value of the dollar averaged Rs 8.72 in that month, but declined subsequently to Rs 8.19 by January.

deliberate policy

The deliberate policy of restricting exports of mass consumption items, such as oilseeds, vegetable oils, groundnut extractions, sugar, fresh vegetables (including onions and potatoes), rice, pulses and cement, is estimated to have resulted in loss of exports to the extent of as much as Rs 340 crores—to Rs 160 crores from Rs 500 crores in 1976-77. Exports of tea, quantity-wise, also were sought to be contained in the interest of the domestic consumer through such measures as imposition of export duty, withdrawal of rebate and drawback of duties and requiring the producers to bring in more tea at the auction centres to increase overall availability.

The realisations from the exports of various items, of course, went up significantly either as a result of increased quantities being shipped or owing to higher unit values. Tea exports, for instance, earned, despite the constraints on shipments, nearly 88 per cent more; they went up from Rs 295 crores in 1976-77 to Rs 556 crores in 1977-78. Export of coffee increased by 102 per cent—from Rs 114 crores to Rs 230 crores—and o spices by approximately 82 per cent— from Rs 76 crores to Rs 138 crores Engineering exports are estimated to hav gone up by 12-13 per cent—from Rs 55 crores to Rs 625 crores. The exports o chemicals and allied products are state to have improved by 17 per cent—fron Rs 131 crores to Rs 154 crores—and o gems and jewellery by nearly 50 per cent— from Rs 287 crores to Rs 426 crores.

structural changes

Concerted efforts are being made t effect structural changes on the expor front by way of increased diversification The new policy has shifted emphasis fron exports of primary commodities to thos of products with a higher value adde content. Exports of small-scale industrie are being specially encouraged as the ne industrial policy lays an overwhelmin stress on the development of these indus tries in the interest of maximising employ ment in the country.

The new export policy also aims a securing higher exportable surpluse through better utilisation of the existin capacities and fostering of modernisation Exports of mass consumption goods ar envisaged to be regulated as in the las year, but larger exportable surpluses o such items as sugar are expected to b available. New export markets are bein developed. It is expected that export will grow further significantly this year.

With a view to meeting the new cha lenges and to identifying areas of effor to promote exports, it has been decide to constitute six task forces for variou product groups which include agricultur handicrafts, gems and jewellery, leathe and leather goods, the small-scale secto and export services. The terms of referenc for these task forces are: (i) Review o the present trends in world trade and th structure of Indian exports of the give product group; (ii) identification of majo commodity/item-wise export potentia (iii) suggesting specific export targe for the concerned groups for the perio of the current Plan; (iv) identification o external markets for intensive expo drive and the required market strategi

or export promotion; (v) identification of he priority-wise measures necessary to emove the existing production and capacity constraints in order to actualise he targetted exportable surpluses; and (vi) review of the existing policy frame-work and identification of the necessary changes and policies for export assistance, export services and export infrastructure so that the export targets can be fully achieved.

The task forces are expected to submit their reports within three months. Their recommendations would be considered by a committee of secretaries under the chairmanship of the Commerce secretary in order to work out appropriate action programme.

* *

The scheme for the provision of rupee finance for equipment imports is understood to have removed one major complaint of industry which was that provision of foreign exchange loans earlier invariably entailed escalation of capital cost arising out of depreciation of the Indian rupee vis-a-vis the major foreign currencies. Since these loans will now be available in rupees and also repayable in rupees, the uncertainty arising out of fluctuating exchange rates will be obviated. This, however, applies only to equipment imports against free foreign exchange and not under tied credits. Loans under tied credits will continue to be available in foreign exchange from financial institutions.

The scheme, it is learnt, has been drawn up by the Reserve Bank. According to it, the rupee finance for equipment imports will be repayable in a period of 10 years and will carry for the time being interest at the rate of 11 per cent per annum. The commercial banks making available these loans will be entitled to refinance at 9 per cent which is the bank rate.

The programme is applicable to projects approved by the government. The equipment to be imported has also to be cleared according to the procedures laid down.

The facility is in addition to the rupee loans already being made available by financial institutions for covering the domestic costs of projects.

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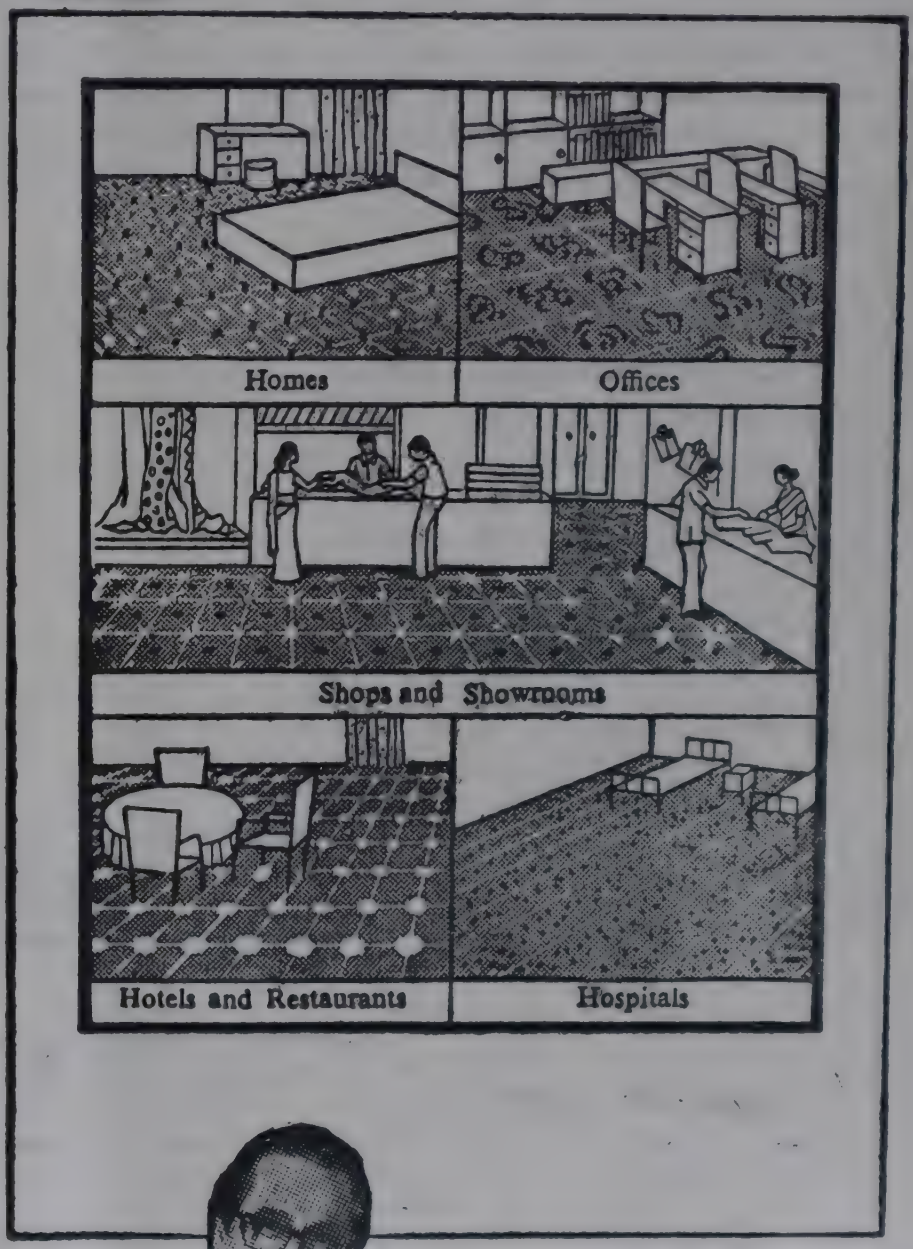

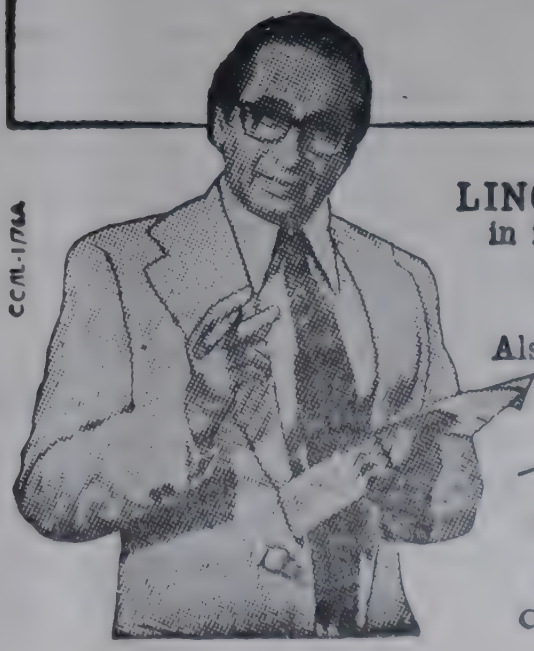

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Projection of electricity load demand

H. N. Das

The Trend Method, the End Use Method and the Scheer's Method are employed for forecasting electricity load demand in India. Mr H.N. Das, IAS, secretary to the government of Assam in the Finance department, points out that the forecasts made are inadequate because they do not take account of the impacts of marginal cost pricing and price elasticity of demand nor are they based on the possibilities of inter-fuel-substitution and improvements in the efficiency of energy use. Moreover, the forecasts are based on the assumption of a close link between energy use and the growth of GNP. Recent research shows this to be a rather shaky foundation to project future energy requirements. In order to rectify the situation it is essential to employ the Econometric Method. Before this can be attempted, however, it is necessary to carry out the basic inter-disciplinary studies and to collect the required data.

THE PROJECTION of electricity load demand and the requirement of installed generation capacity in India are made periodically by an official committee. The latest available projections are those of the Ninth Annual Power Survey Committee (to be referred to henceforth as the Survey).[1]

The survey applied three different methods for load forecasting. The three sets of results, which were within ten per cent of each other, were then averaged out to make the final forecast for the relevant dates. The survey applied the following methods: the Trend Method, the End Use Method and the Scheer's Method.

main drawback

The Trend Method, which has gained wide acceptance, makes extrapolation to project future demand based on the past trend of consumption as revealed by the time series appropriately smoothed out.[2] Its main drawback emanates from its failure to take account of the rates of growth of the factors which determine the consumption of electricity and the fact that these rates might vary over time. Its usefulness is restricted to cases in which projections are required only for a short period during which no far-reaching structural changes are expected.

The End Use Method requires drawing up of detailed estimates of projected electricity consumption in various sectors of the economy during the relevant periods. These sectoral totals are then summed up to arrive at the projected total consumption. Its usefulness depends on the accuracy of the tenuous input-output exercises and the validity of the projected growth rates of different sectors.

The method developed by Scheer, on the basis of his study of load growth in a number of countries, including India, postulates that "for every hundred-fold increase in the per capita generation, the rate of growth of generation will be reduced by half".[3] This formula, as applied to India, has been written as follows:

POINT OF VIEW

$$g = \frac{10^c}{u^{0.15}}$$

In the above formula, g denotes the annual percentage growth of generation, u the per capita generation and c a constant, which is 0.02 times the population growth rate plus 1.330.

It can be seen that the validity of this mechanical formula will depend upon the correctness of the assumed relationship between the increase in per capita generation and the projected reduction in the rates of growth of generation. This is rather doubtful in a developing economy, where such mechanical and strict relationships are hard to come by.

In a paper, prepared for the World Bank, Anderson analysed the forecasts of electricity demand, made or accepted by the Bank, in respect of seventyfive loan applications from thirtyeight countries.[4] The forecasts were mostly made with the trend method or some modified version of it. Anderson found that these forecasts were highly inaccurate compared to the actual position on *ex-post* evaluation. He, therefore, recommended the application of the econometric method.

limited applicability

The econometric method involves a study of the factors which influence electricity consumption over time. In its sectoral form, the output or activity of each energy consuming sector is made use of as explanatory variables to project future demand. The applicability of this method has been found to be rather limited in developing countries due to the absence of the high quality data required for techno-economic evaluation. Even Anderson was conscious that "to date, there is no thorough examination known to the present writer of the possibilities of the econometric method in analysing and forecasting the demand for electricity in developing countries". He was also aware that "even in the industrialised countries, the study of Fisher and Keyson, undertaken in the late 50's is singular".[5]

Several studies, for a number of developed countries, have used the econometric method recently.[6] Once the data required is made available, it will be possible to build an econometric model for India also. Such a model will be able to take account of a number of aspects,

ich are discussed in the following tions, and which have not been amined by the survey.

The usual practice in any forecast of ture electricity demand is to base it the peak demand, that is the maxi-um demand projected to occur during designated period. It is possible, how-er, to reduce the peak demand by ppropriate pricing policies. Such policies n even out demand over the designated me period and thus achieve greater fficiency of plant use in the electricity ystem.

It is normally expected that there will e an inter-temporal transfer of a portion f the peak time demand if electricity ariff is synchronised with marginal cost f the system which increases as less fficient plants are switched on to meet ncreasing demand during the upward hase of the load demand curve.

The extent to which this can be achiev-ed will, however, depend upon the time preference of the various groups of con-sumers and the characteristics of the different generating plants in the system.

Many industries, for example, may not find it convenient to work night shifts in order to take advantage of lower tariffs. In their case, the advantages to be gained may not be sufficient to off-set the cost of higher wages of night shift workers. This is quite possible because it has been found that energy cost is nominal as a percentage of the total manufacturing cost in most industries.[7] Only a few power-intensive industries, such as aluminium, copper, zinc, lead and fertilizers, might shift their work timing in response to higher peak load pricing.

low consumption

Domestic load may not be affected at all. Domestic consumption of electricity is low in India. Besides, practices such as water-heating and similar ancillary activities, which can be expected to take advantage of a lower off-peak tariff, have not spread much. It is, therefore, doubtful whether a lower off-peak tariff will induce a shift in timing domestic electricity consumption.

On the supply side, the technical operating conditions of generating plants, their individual rates of maintenance and forced outage and special characteristics such as limited hours of operation during the day, will restrict the possibilities of varying supply to meet any alterations in the time pattern of demand.

No definite conclusion about the possible impact of marginal cost pricing projected demand can therefore be drawn. Besides, it is not in general use in India. Difficulties of metering, especially the extra cost involved, has been mainly responsible for this.

However, the alternative method of physical rationing, to even out load demand, is widely practised. The usual monopolistic weapon of price discrimination among different market segments— agricultural, domestic, commercial and industrial loads of various sizes— is also used.

A thorough theoretical analysis of the problem led Turvey to conclude that "the only practicable method of securing quantified analysis is to engage in large-scale long-term experiments".[8] Such experiments are yet to be conducted in India.

realistic appraisal

It is important that such experiments are conducted as early as it is possible so that the demand projections can be based on realistic appraisal of the impact of marginal cost pricing.

In an econometric model for projecting electricity load demand it will be possible to take account of inter-fuel substitutions. One example, often quoted, is a faster rate of substitution of electric traction in place of diesel traction in the Railways.[9] It is suggested that electric traction is free of pollution and can bring in larger economic benefits in the long run.

Another example is the energisation of irrigation pumpsets most of which are currently run on diesel oil. In both these cases, considerable saving of foreign exchange may result from reduced use of imported oil products. This judgment is, of course, based on the assumption that the primary fuel in electricity generation is not imported oil.

Again, commercial energy, primarily electricity, can also be substituted to replace wasteful burning of cow-dung, firewood and bagasse. Each of these has better econonmic use as organic manure, construction material and paper-pulp, respectively.[10]

The extent to which such substitution possibilities actually materialise will depend upon a number of factors including prices of alternative fuels, consumer preference for such fuels and the availability of electricity in differ locations. The last one is important because only 29.89 per cent of the villages have been electrified in India so far.

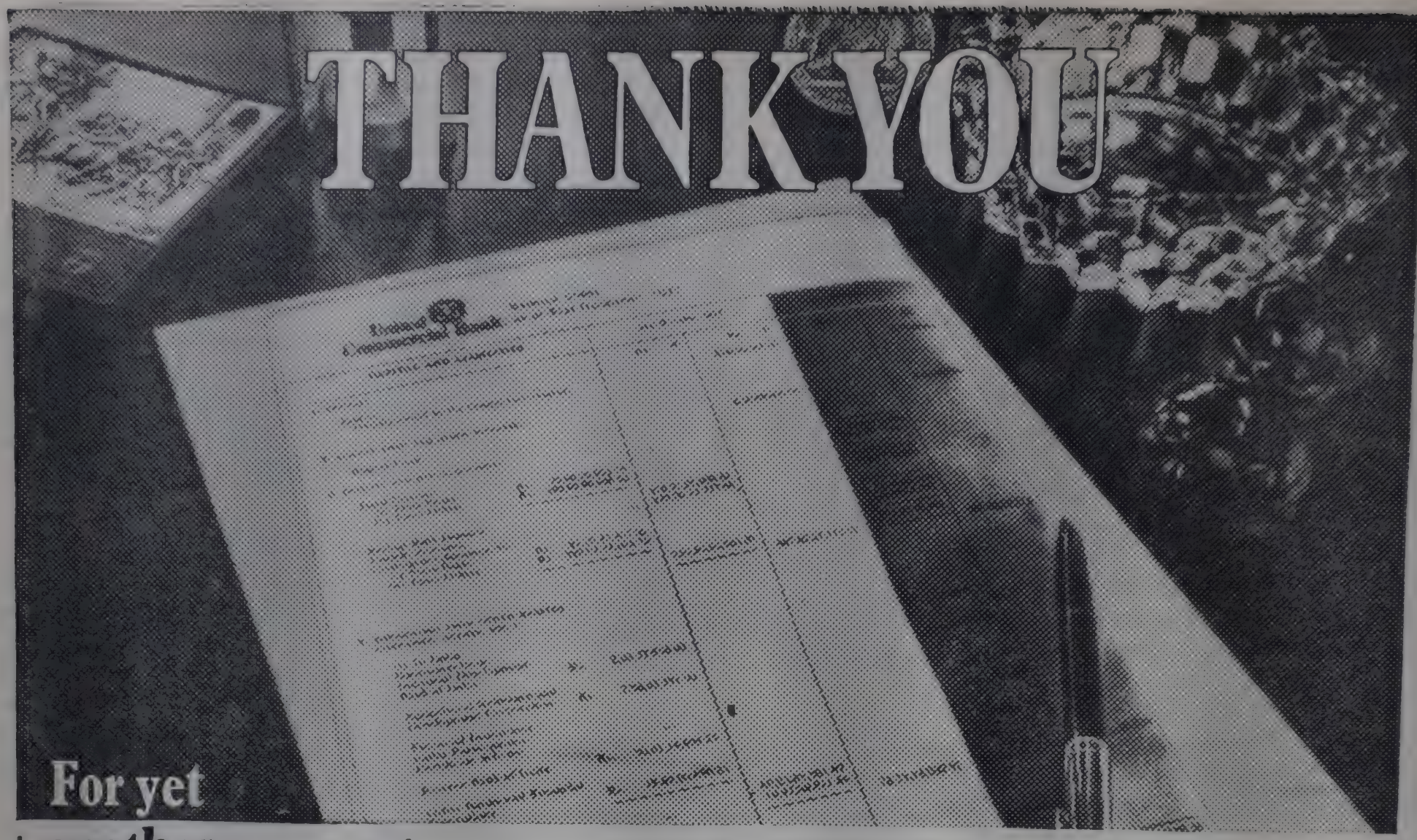
the other side

The other side of the same coin, that is, the possibility of substitution of electricity by alternative fuels is not usually considered feasible or desirable. The main reason for this is the belief that electricity is superior to these fuels. This is true of the non-commercial fuels. This is true of coal. In the case of oil, the foreign exchange constraint will prevent oil being substituted in place of electricity. As development proceeds, some of the oil products such as kerosene and candles are, in fact, considered inferior goods. This is the result of the income elasticity of demand.

The survey has not explicity taken into account the effect of such inter-fuel-substitution possibilities on the future trend of demand. Probably, such substitution has been implicitly assumed in the projected growth rates of electricity consumption in different sectors. It is, however, essential to spell out the implications.

Proper pricing procedures can affect the total volume of electricity demand beside achieving inter-temporal re-distribution of demand as already discussed. In the past, not much attention was paid to the price factor in the models built for projecting electricity load demand. This was true of projections made both in the developed countries and in the developing countries. Even in well-known international projections, scant attention was paid to electricity price.[11] The main factor responsible for this has been the gradual decline of the real cost of electricity over time.

After the oil crisis, it is now realised



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STATEMENT OF POSITION

31st December, 1976 Rs.	LIABILITIES			31st December, 1977 Rs.
5,00,00,000	Capital : Paid-up			5,00,00,000
6,00,00,000	Reserve Fund			6,50,00,000
788,32,19,813	Deposits			987,62,21,114
52,25,38,750	Due to Banks and Correspondents			78,73,74,202
8,84,44,003	Bills Payable			11,26,24,371
57,70,44,586	Bills for Collection			81,15,39,631
9,08,59,846	Branch Adjustments etc.			12,26,99,034
57,25,26,125	Acceptances for customers			79,91,64,088
	PROFIT AND LOSS ACCOUNT :			
2,09,76,348	Profit for the year		2,12,87,051	
...	Less : Bonus for 1976 paid in excess of provision made in that year		20,17,810	
2,09,76,348	Balance of Profit		1,92,69,241	
50,00,000	Less : Transfer to Reserve Fund		50,00,000	
62,00,000	Provision for Contingencies		90,00,000	
47,17,000	Provision for Gratuity		...	
50,59,348	Balance to be transferred to Central Government			52,69,241
984,96,92,471	TOTAL			1262,98,91,681
	ASSETS			
104,93,82,277	Cash in hand and with Banks			155,05,44,106
9,03,00,000	Money at Call and Short Notice			9,57,32,900
196,72,25,253	Investments in Govt. and other Securities, Shares, Debentures etc.			256,57,95,904
534,33,26,196	Loans, Advances and Bills Discounted and Purchased			651,60,64,041
57,70,44,586	Bills Receivable			81,15,39,631
57,25,26,125	Constituents' Liabilities for Acceptances			79,91,64,088
3,58,43,613	Premises			3,58,03,581
5,26,85,156	Furniture and Fixtures			5,73,81,476
16,13,59,265	Other Assets etc.			19,78,65,954
984,96,92,471	TOTAL			1262,98,91,681

NUMBER OF BRANCHES

377	In India	Rural	418		
220		Semi-Urban	229		
184		Urban	209		
131	912	Metropolitan	149	1005	
9	Outside India			9	
921	TOTAL			1014	

UCO:CAS-26

at the days of low cost electricity are er. The factors which point to the rection of a gradual rise in the cost of ectricity in the future are the following: gher cost of primary fuels, higher cost capital, reduction or elimination of arious subsidy practices and stricter vironmental requirements.

This realisation has led economists in ne USA to study the impact of higher nergy prices on demand.[12] These studies ave confirmed, in terms of basic first rinciples, that "energy—including elec-ical energy—is a price elastic com-nodity. That is, as the price of energy ncreases, the level of consumption eclines".[13] The fact that such an elemen-ary conclusion had to be drawn, in a esearch work of such high standard, hows the gravity of the situation created y the complete lack of attention to the rice aspect in the earlier models for rojecting energy demand.

It is not proposed to go into their indings about the quantitative decrease n electricity demand as a result of given ncreases in price. What is important is he possible impact of a reduction in the evel of electricity consumption, induced by price increases, on the rate of growth of GNP. They found that the overall rate of growth of GNP need not decline if proper adjustments are made in the composition of GNP inputs. They suggested that the less energy intensive services sector should be allowed to grow at a rate faster than the economy as a whole, while the more energy intensive manufacturing sector's growth is restricted to a rate lower than that of the economy.[14]

important lesson

This finding has an important lesson for the developing countries. It shows that greater labour input can sustain growth even when the absolute level of energy use is allowed to decline. In fact, "capital and energy are complementary; so higher energy prices lead to reduced use of capital services and to the substitution of other inputs, particularly labour, for those services."[15]

The survey has not taken such possibilities into consideration in projecting future demand. This has been the result of the absence of basic inter-disciplinary studies in the field of energy.

The projections of electricity demand in the survey are based on the current levels of efficiency of energy use in plants, machineries, appliances and processes. These levels of efficiency, however, can be improved upon.[16] Such improvements will mean that even with a reduction in the absolute volume of energy consumption it will be possible to sustain the rate of growth of GNP.

The need for such measures have been realised, and recommended, in India also.[17] When such measures are adopted the demand for electricity, and hence for installed generation capacity, will come down automatically,

All current energy forecasts in India (and elsewhere) are based on the assumed relationship between energy use and the rate of growth of GNP. In the case of electricity, for example, it has been found that the rate of annual load growth, consistent with a 5.5 per cent annual growth rate of GNP, is 10.8 per cent.[18]

Recent researches show that "the GNP energy linkage in LDCs offers an extremely shaky foundation upon which to construct forecasts of electrical consumption."[19] This conclusion has been drawn from several in-depth studies.

inter-country comparison

An inter-country comparison, for example, showed that the relationship is not at all apparent. This study was based on the elasticity co-efficients, which are derived as quotients of growth rate in energy usage divided by the growth rate in GNP.

A case study of India, over a long period of time, based on the same elasticity co-efficients, showed that the behaviour of the co-efficients themselves was erratic.[20]

It is, therefore, clear that no mechanical linkage between GNP and energy consumption can be relied upon to build a model for forecasting future electricity demand. What is required is a detailed and sufficiently disaggregated study of both GNP-inputs and sectoral electricity consumption.

This brief review of the methods used for projection of electricity load demand and the requirement of installed generation capacity in the survey and its possible weaknesses, in the context of established ideas and recent findings, point to the need for a change in the basic strategy. This is not immediately possible due to the absence of the required data and the inter-disciplinary studies. It is, therefore, important that these studies are carried out and the data made available as early as it is possible.[21]

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(ii) Chawla, O.P., *Gobar Gas. The Foresaken Innovation*, Yojana, Vol. XVIII No. 1, New

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11 See the following:

(i) Fremont, Felix. *World Markets of Tomorrow*, Harper and Row, New York, 1972.

(ii) International Atomic Energy Agency, *Market Survey for Nuclear Power in Developing Countries: General Report*, IAEA, Vienna, 1973.

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(ii) Duane Chapman, Timothy Tyrrel and Timothy Mount, *Electricity Demand and the Energy Crisis*, Science, November 17, 1972.

(iii) Ford Foundation, Energy Policy Project, *A Time to Choose*, Ballinger Publishing Co., Cambridge Massachussetts, 1974.

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21 The inadequacy of data which has hampe ed serious studies in the field of Energy has bee critically commented upon in *India: The Energ Sector* by P.D. Henderson, Oxford Universit Press, London, 1975, pp. 148-150.

Ethics in tax practice

Dr R. M. Lall

The author holds that all tax avoidance is not commendable nor all tax evasion reprehensible.

It is almost a craze to preach and practise what is known as 'tax avoidance' and shun what is regarded as 'tax evasion'. The distinction between these two expressions depends on the legality or otherwise of a particular course of action. Evasion means the flouting of the law by fraudulent means including deliberate concealment, declaring deductions in the full knowledge of their non-entitlement and so on. On the other hand, avoidance implies an implicit obedience to law. It amounts to the exploitation of the form in which the law is framed with a view to securing advantages. This course may, but does not necessarily, seek to find loopholes in law. Administrators of laws come down with a heavy hand on the tax evader while the tax avoider goes scot free. Judicial pronouncements are at the back of the later. "No man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores": Ayrshire Pullman Motor Service *v.* C.I.R., 14 TC, 754, 763; C.I.R. *v.* Fisher's 10 TC, 302, 336(H.L.); A.G. *v.* Richmond of Gordon, 2 KB, 729, 793. Another equally authoritative judgment lays down, "Every man is entitled if he can order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be. If he succeeds in ordering them so as to secure this result, then, however unappreciative the Commissioner of Inland Revenue or his fellow taxpayers may be, of his ingenuity, he cannot be compelled to pay an increased tax"; C.I.T. *v.* Mercantile Bank of India, 4 ITR 239, 248(P.C.).

So the cry is avoid 'evasion' and adopt 'avoidance'. But how far is the cry justified? Should we examine this question purely from the viewpoint of law and nothing but the law? To me, the answer is a 'No'. I hold that all tax evasion is not reprehensible and all tax avoidance not commendable. Why should it be presumed that what is allowed by the law is always just?

It bears no repetition that all tax laws are not necessarily good laws. They are not framed in accordance with the cardinal principles of jurisprudence. They are not founded, except by accident, on the principles of equity, justice and good conscience. These laws are strictly construed and in their interpretation equity is considered a foreigner. Above all, the sanction behind these laws is the authority of the state and not the common will of the people. To cite an example, by means of deeming provisions income tax is levied on items which are not incomes or on people who do not earn or enjoy incomes. To take another example, if in a sale transaction you value your property at Rs 10 lakhs and the department values it at Rs 20 lakhs, the law empowers the department to acquire it at Rs 10 lakhs plus 15 per cent but at the same time it gives no right to you to sell it to the department at the value placed by it. Similarly the law gives the right to the department to back assessment where its interests had suffered in the past but does not give a similar right to the subject in similar circumstances. Then where is the justification in levying taxes at confiscatory rates? Apart from the tax laws being so unethical, the money realised as taxes is not wholly, exclusively and necessarily expended over the maximization of the national welfare. Judge the government expenditure by any measure, just to find what colossal waste is involved therein. A moot question arises: In such a situation, if we obey laws, do we not thereby become a party to these injustices and wastages? Is then a tax evader not a better citizen who refrains from such wrong doings, earns the money, runs a parallel economy and thereby contributes to employment, productivity and welfare? Should we not learn to respect only the just laws?

Another basic question is: How far can the acts of the tax avoider be regarded as a commendable exercise of ingenuity or as a discharge of the duties of good citizenship? After all, when he succeeds in his design, he does pass on the extra load of taxation to those who do not

possess either the will or the ability to practise similar manoeuvres. I think, on merit, except that it is lawful, tax avoidance has little to commend. It is not founded on any fundamental principle of enduring nature. Is it not a fact that by means of frequent amendments to laws, what was at one time considered to be within the purview of tax avoidance was brought within the fold of tax evasion?

From the point of view of ethics, tax avoidance may be legitimate or illegitimate, no doubt, at times it is difficult to pronounce which side of the line it falls. Just consider these situations. To reduce the tax burden, A divorces his wife in a court of law but otherwise in all respects they live as before. B, a chartered accountant with a roaring practice, gives a large portion of his practice to others, just to save taxes, or forms a few partnerships with different persons in respect of different specialised fields. C, a man of great resourcefulness takes to agriculture instead of business as source of earnings. D, a multimillionaire, fearing a rise in car prices as a result of increased taxes, purchases a fleet of cars in advance. E, a well-to-do officer gives up smoking altogether in view of increased duties on cigarettes. F, sells his properties and makes a settlement of the proceeds in favour of his wife and children and survives the statutory period. Are all these instances of tax avoidance legitimate and none reprehensible? How does the act of F stand out differently from the case of G who makes a settlement but fails to survive the statutory period? Likewise, there are so many other techniques of tax planning, but are they all legitimate? The answer is hardly an unqualified yes.

A person is labelled a tax evader. His motive is pronounced impure. Heavy punishment is meted out to him. Just imagine, under the income tax law, for concealment of income, say of Rs one lakh, the cumulative penalties could be as much as Rs 4.4 lakhs, besides imprisonment. Was it a just law?

In bringing the tax evader to book, we examine his motive and come with a heavy hand on him. Is that fair? When we examine the motive of the tax payer, should we not also examine the motive of the law makers? One who does not practise morality, I think, has no moral right to frame laws by which to judge the morality of others.

The malady arises because of the attitude of the law makers who are constantly obsessed with the idea that the need of the hour is just enacting anti-avoidance tax laws. I think the remedy lies in improving upon the technique of framing tax laws, identifying the scope and concept of tax in a concise manner and simplying the devices for tax avoidence.

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For the US Dollar—some calm after the storm

The net sales of dollars amounting to between 2000 and 3000 million since March, according to US under secretary of the Treasury for Monetary Affairs, reflects in part greater awareness of US determination to take fundamental measures for a sound dollar and a recognition of important improvements in the economic situation.

OREIGN EXCHANGE markets have quietened lown and in recent weeks foreign monetary authorities have been buying rather han selling US dollars.

Intervention in foreign exchange markets by all countries has resulted in net ales of dollars amounting to between 2,000 and 3,000 million since March. According to Mr Anthony M. olomon, US under secretary of the Treasury for Monetary Affairs, who was ddressing an audience of businessmen in New York on May 15, this change in tone eflects, in part, greater awareness of US

WINDOW ON THE WORLD

etermination to take the fundamental easures required for a sound dollar. It ay also reflect greater recognition of me important improvements in the derlying economic situations.

Interest rates are higher in the United ates than in many other industrial coun-es, and this interest rate differential is ain pulling short-term investment funds o the United States now that con-lence in the dollar is stronger.

The recent stronger performance of e stock market in the United States may o be helping to attract capital flows.

"Contrary to some press reports," the easury official said, members of the ganization of Petroleum Exporting untries (OPEC) did not shift their funds away from dollar investments during the recent turbulence on exchange markets. "Indeed, very preliminary information for the first quarter of this year indicates that a high and perhaps even larger proportion of OPEC assets was placed in the United States."

Noting that the OPEC balance-of-payments surplus is expected to make a startling drop to around 20,000 million dollars this year, he said this surplus "should be manageable in the medium term and should allow the industrial countries to return toward a more traditional position of current account surplus."

Two other factors that should aid exchange market stability in the coming year, he said, are an expected convergence of economic growth rates among industrial nations and a continuing decline in inflationary pressures—"at least for the developed world as a whole".

Mr Solomon rejected proposals to foster exchange rate stability through massive official intervention in exchange markets, greatly expanded credit arrangements, foreign currency borrowing by the United States and substitution arrangements, such as one suggested by Mr Johannes Witteveeu, the managing director of International Monetary Fund, designed to immobilise dollars now held as official currency reserves.

"Experience of the past decade has demonstrated repeatedly that exchange rate stability cannot be imposed on the system but must be the result of sound domestic economic policies", Mr Solomon said. "...,Attempts to prevent exchange rates from reflecting basic trends would lead to a repetition of the disturbances that punctuated the latter part of the Bretton Woods era" that came to an end in 1971 "and could be extremely disruptive for the world economy".

benign neglect

The treasury official also rejected accusations that the United States has sought to gain competitive trade advantages by a policy of "benign neglect" on exchange rate matters. "The evidence simply does not support such a charge, and I can assure you that is not and will not be the US policy," he said.

"Independent analyses show that changes in dollar exchange rates have generally offset relative inflation rates and that there was virtually no net change in the US competitive position—as measured by price adjusted exchange rates—between mid-1975 and the first three quarters of 1977," he said.

Even after a six per cent decline in the exchange value of the dollar against a trade-weighted index of the currencies of other industrial nations, he said, the competitive position of the United States has improved only one or two per cent from the level existing after the general shift to floating exchange rates in 1973.

Between March 1973 and March of this year the competitive positions of Italy, Canada and Japan improved between five and 10 per cent and the competitive positions of West Germany and the United Kingdom detriorated by between five and 10 per cent, the US official said. France is roughly in the same position as five years ago.

Canadian economy stronger over the years

Canada's prime minister, Mr Pierre Trudeau, in a speech to the Economic Club of New York, emphasized the positive aspects of Canada's past economic performance and was optimistic that present problems would be overcome. Mr Trudeau assured his audience of some 2,000 leading United States businessmen and investors that Quebecers would not vote for separatism in a referendum. Passages from his address are published here.

WE HAVE in Canada a linguistic duality and a cultural diversity that are, at once, a tremendous strength—a statement of our individuality — and a source of creative tension, driving us to search for new ways in which our national character can find expression. I know that the premier of Quebec spoke to you a little over a year ago and referred to the independence of Quebec as a matter of "natural evolution". Frankly, if the history of Canada had been one of natural evolution, I would probably be here tonight, if at all, as a governor of one of your states. No, our history has been and will continue to be a testimonial to the collective determination of all its peoples to compromise, to accommodate, to succeed and prosper together. All in all, it is an impressive history.

From 1964-65 the pace of job creation in Canada exceeded that of all industrialised countries and our rate of economic growth was exceeded only by Japan. Between 1967 and 1976, Canadian Gross National Product in constant dollars grew by 53 per cent while, by contrast, US GNP grew by 26 per cent. Real disposable income in Canada rose by 73 per cent; in the United States, it rose by 33 per cent. Despite this very strong growth in Canada, the rate of increase of the consumer price index was close to the same in both countries over this period (72 per cent in Canada, 70.5 per cent in the US). We have become, in short, a major industrialised country with a standard of living that rivals your own, and a population that is one of the best-housed and best-educated in the world.

In the period from 1967-75, eight years only, Canadian productivity in our goods-producing industries increased from 65 per cent to 85 per cent of American productivity levels. For durable goods, the productivity gap, over the same period, narrowed significantly from 30 per cent to only two per cent. But the important gap that remains in our relative rates of productivity and our reaction to the energy crisis are critical elements in the understanding of our more recent performance. A determination to preserve both regional diversity and regional equity has been central to our vision of a national community. So when the OPEC shock reverberated around the world, we found overselves not only less vulnerable than other countries but in a position to cushion the petroleum-importing regions of Canada against that shock.

The decision to employ wealth generated from energy sources in the west to absorb the shock in the east—had a further important economic consequence. It delayed the immediate onset of the adjustment process that moved the rest of the industrial world towards recession. In contrast, real growth and emyloyment continued to increase in Canada through 1974 and 1975.

But in an interdependent world we could not indefinitely escape the effects of international recession. We grew more slowly in 1976 and 1977. But even those years must be seen in context. We did not suffer a recession. And even though as I have said, your performance over the last two years has been very strong, the increase in both output and employment across the whole period from 1973 to 1977, was greater in Canada than in the United States. The real incomes of Canadians, after taxes and discounted for inflation, were 23 per cent higher in 1977 than they were in 1973. By comparison, over the same period, the average real disposable income of Americans increased by nine per cent.

faltering growth

Why then did growth falter in Canada over the past two years ? In part, we became the victims of our own success. Rapid increases in real incomes led not surprisingly to expectations that such increases could continue indefinitely. These expectations contributed to the continued stoking of the fires of inflation. And, for a time, Canadians lost sight of the fact that even with over advancing productivity we were not yet able to justify income-parity with the Americans. Wage settlements, by 1975, were showing an average increase of 22 per cent. Average hourly earnings in manufacturing in Canada exceeded the US average by seven per cent at this time. Our industries found that they were losing their ability to compete in world markets.

Since late 1975, when we introduced the government's anti-inflation programme, we have made a number of fundamental adjustments to our economic policies, and there is every evidence that these adjustments are taking hold. Our rates of wage and cost increases have subsided to reasonable and competitive levels. The depreciation of the Canadian dollar has gone a long way to restoring our competitive position in world markets. Due to increases in the price of food (much of

which is imported at this time of the year) and the devaluation of our currency, inflation has been erratic. But the rate of inflation, food excluded, is continuing to come down, slowly but steadily. Our record of productive time lost through industrial disputes has moved from one of the worst in the industrialised world in 1975 to one of the best in 1977. And despite the fact that our unemployment rate remains unacceptably high, and that no government can rest when its citizens want to find work and cannot, it must be recognised that jobs are once again being created at an impressively rapid rate. Over the last 12 months, from February 1977 to February 1978, more than 280,000 new jobs were created in Canada, well above our historical average of 250,000 jobs each year.

spirit of collaboration

Consultations among Canadians have led to a renewed spirit of collaboration. With increasing frequency, the federal and provincial governments have been meeting with representatives of business, industry and trade unions. We have very recently concluded an important and promising conference involving the provincial premiers and myself. Out of this collaboration, we have emerged with the common view that all governments must shoulder their share of responsibility for our economic difficulties.

Given the civilizing direction of much of the growth of government expenditures, I believe that critical reaction to this growth can be overdone. But I acknowledge that we had moved too far, too fast. In the past three years, however, we have demonstrated our determination to restrain the growth of government. We are now embarked on a very broad restatement of all our policies, both those which form the economic framework of the nation and those which deal with specific areas of economic activity. We are committed to further restrain the expenditure of governments, to reduce bureaucratic intrusions, and to seek new and improved means of serving collective needs.

We have also set for ourselves a number of medium-term economic objectives, to guide our actions and serve as check points on the road to recovery. These objectives reflect our commitment to sustained economic growth, with associated reductions in unemployment and inflation.

I take confidence in our prospects. We are probably as well placed as any other industrialised country to meet, within our own means, the future energy requirements of our nation. The array of major energy projects in Canada's future must be seen as a fundamental driving force of renewed activity.

We are a wealthy country—in mineral, forest, agriculture and water resources; in the seas around us; in our vast and undeveloped lands; in the industry we have built; in new technology; and, above all in our people who, by the very existence and prosperity of Canada, have demonstrated our will and capacity to overcome the obstacles in our path.

Yet there is one particularly difficult challenge that continues to confront us—as Canadians. There can be no question that our economic prospects are clouded by the current uncertainty over the future unity of our country. We are engaged in a dialogue, often confused, sometimes strident; but through it we are seeking—openly and honestly—new answers.

There is a growing realisation among all Canadians that we would surely be a foolishly self-destructive society if we allowed our country to be fractured, because of our inability to imagine with generosity a solution to the problem of a federal state composed of different regions and founded on the recognition of two languages.

the unity question

I know that Canadians in all regions of the country will reaffirm their faith in Canada, and renew their commitment to make it work for the greater benefit of all. I am confident that the people of Quebec, when the choice if fairly put, will reject an ethnocentric nationalism in favour of a renewed and more productive relationship with their fellow Canadians.

I have spoken of the United States and I have spoken of Canada. What is there to be said about the relations between us? In my experience, relations between our two countries have never been better. Surely two nations that can reach agreement on the most massive private-sector investment project ever undertaken—the northern pipeline—are setting the world an example in cooperation.

The decision to proceed with the pipeline is but one instance of the wide-ranging and continuing conversations between president Carter and myself, between your administration and ours, between our private sectors, conversations that cover both broad goals and more particular issues.

concerted policies

I have sought to describe how both of our countries and indeed the industrial world, have begun to extricate themselves from the difficulties of the past four years. We must, of course, continue to concert our policies and move forward—in a measured way—restoring growth, reducing unemployment, but doing so while continuing to avoid renewed inflationary pressures. For the short run and medium term, we have made "policy" corrections of a very substantial kind and they are taking hold.

But I feel less confident that we, as nations, as communities, as people, are moving urgently enough to meet the more fundamental, longer-term issues that confront us. Our economic difficulties have exacted their toll, not only on our national economies, but also on that complex set of institutions, agreements and understandings that define the international economic system of which we are all a part.

Within our countries we witness a pervasive questioning of governments, corporations and labour unions. There is a sense of mistrust that leads to the formation of narrow interest groups seeking to protect themselves at the expense of others and at the expense of the common good.

I do not believe that this uneasiness, or indeed the uncertainties which constrain investors, within our countries or within the international economic system will be greatly reduced until we have demonstrated our determination to face fundamental issues squarely and resolve them.

MOVING FINGER

Mr Morarji Desai's la-st dead-line is six months for the Janata rty to compose its domestic quarrels d become a united and happy family. is grants a reprieve to Mr Atal Behari ajpayee who had threatened a month go to quit the government if the top ree failed to come together and func-on in harmony within three months. I o not think it will be too difficult a task r Mr Desai to persuade Mr Vajpayee be patient for the additional three onths,—or, is it four ?

But, why six months? Why not five or, r that matter, seven? I suspect that strology—or, is it numerology?—has omething to do with the prime minister's hoice of the six-month limit. Has Ir Desai, however, consulted Mr Charan ingh? A great deal depends clearly on vhen the Home minister decides to leave he All India Institute of Medical Sciences. What if he chooses to stay there for an-ther six months from now? Should this appen, Mr Desai will obviously find it ecessary to search for another and more uspicious dead-line. In that event, it will e wiser for him to keep the revised dead-ine a close secret. There is advantage in keeping others guessing.

Mr Raj Narain complains that certain industrialists have ganged up against Mr Ram Naresh Yadav, the be-sieged or, if you prefer, the embattled chief minister of Uttar Pradesh. This grievance could be easily exaggerated, for there is visible evidence that Mr Yadav is not without friends in the business com-munity. Recently, *The Hindustan Times* brought out a feature on the progress in Uttar Pradesh under the Yadav dispensa-tion. This was sponsored, presumably by the state government itself. Advertise-ment support for this feature had been provided not only by public sector un-dertakings in UP but also by a couple of business houses in that state. The point is that governments may come and gov-ernments may go, but businessmen always stick to the government of the day. Some discreet diversification, however, cannot be entirely ruled out. This is why I find it easy to believe that Mrs Gandhi and her party are not entirely cut off from sustenance from business sources.

It is of course in her interest to make friends wherever she could find them. Some days back, a local proprietor-editor threw a dinner at which Mrs Gandhi was able to meet a number of editors or other senior journalists working in newspapers in the capital. This was in the wake of the publication of the Shah Commission reports and it may be assumed that Mrs Gandhi did not waste her time on small talk. It may not therefore be entirely surprising that *The Times of India* chose to take a certain editorial line on the Shah Commission reports. In its issue of May 17, it gave the advice as well as administered the warning to the govern-ment that any attempt to put Mrs Gandhi on trial on the charges framed by the Shah Commission "can win her a lot of sympathy and divide the country in a dangerous manner". Some dinner parties, it appears, are more productive of results than others.

If the officers of the Central Information Service are not re-gretting their opposition to an earlier pro-posal to induct a member of the Indian Foreign Service as Principal Information Officer, they certainly ought to for they could not have bargained for Mr G.S. Bhargava, an assistant editor of *The Hindustan Times*, being finally picked for this job. There is a disturbing similarity between his appointment and the posting of Dr Raj K. Nigam as executive director of *Samachar* during the emergency. I do not want to dilate on this point, but I must certainly mention that Mr Bhargava's chief title to fame seems to be that he has authored some mediocre bio-graphies of an assortment of political leaders. While reporting his appointment, *The Times of India* thoughtfully mention-ed that Mr Bhargava had recently written a biography of Mr Morarji Desai. It is possible that his being chosen as Principal Information Officer has occurred just in time to prevent him from writing a biography of Mr Lal K. Advani. This may be a gain for the public (*and* Mr Advani), but it is still a matter for regret that quite a few officers of Central Information Service, who are obviously better suited than Mr Bhargava to head the Press Information Bureau have been passed over.

Incidentally, is there any sense in compelling Mr Sharda Prasad, who was Information Adviser in the secretariat of the former prime minister, to idle away his time in the present prime minister's secretariat? After all, he costs public money and some use should therefore be made of him. In any case, why could not Mr I.D. Tiwari, a senior officer of the Central Information Service, who had been acting as Principal Information Officer for quite some time, have been confirmed? It is by no means obvious that Mr Bhargava's qualifications are superior to Mr Tiwari's. It seems to me that quite a lot of victimization is taking place in the ministry over which Mr Advani presides. Worse still, more is threatened once Mr Bhargava takes over. What bothers me is the question to what extent the minister himself is a conscious party to all this.

A pharmaceutical con-cern in the Federal Republic of Germany is reported to have developed a new anti-rabies vaccine which needs to be adminis-tered only three times in the space of three weeks, whereas, in the case of the conventional serum treatment, the patient has to be injected up to 17 times before the treatment is effective. Given our government's drug policy and its admi-nistration, it may be anybody's guess how long it will be before this vaccine reaches our shores.

VB

Problems of economic development

Some Problems of India's Economic Policy: Edited by Charan D. Wadhva; Tata McGraw-Hill Publishing Co Ltd, New Delhi; Pp 768; Price Rs 36.

India's Economic Relations with USA & USSR: Sadhan Mukherjee; Sterling Publishers Pvt Ltd, New Delhi; Pp 372; Price Rs 75.

Industrial Relations and Labour Legislation: G.P. Sinha and P.R.N. Sinha; Oxford & IBH Publishing Company; Pp 773; Price Rs 25.75.

Readings in Nepalese Economy: N.C. Joshi; Chugh Publications, Allahabad; Pp 177; Price Rs 45.

Nehru on Socialism: V.B. Singh; Publications Division, Government of India; Pp 139; Price Rs 5.

Contours of Planning and Poverty: B. Kumar; A Southern Economist Publication; Pp 207: Price Rs 40.

Reviewed by **Academicus**

SINCE 1973 a number of new developments have taken place in the Indian economy provoking stimulating discussion on these problems. The editor of *Some Problems of India's Economic Policy* has therefore rightly thought it fit to prepare a revised edition of the book retaining from the first edition only these articles which are still relevant and including a number of new articles which analyse issues that assumed prominence after 1973. According to the editor, the revised edition retains only about 50 per cent of the old material and has nearly 500 pages of new materials. This means that the book has been drastically altered from the first edition.

The book is divided into three parts dealing respectively with 'Planning for Economic Development', 'The Agricultural Sector' and 'The Foreign Sector', the three parts together containing 42 articles by eminent economists. Most of these articles have already appeared in journals or in books; the merit of the book lies in bringing all these articles including some specially written ones under a single cover. In a brief review such as this only selective references and comments are inevitable.

Initiation of the procees of planning in India in 1951 in an economy suffering from stagnation and the vicious circle of poverty, with lowest per capita consumption and income, a colonial structure of production, extreme disparities of income, lacking a viable industrial base and suffering from the evil effects of partition which broke up the union of two complementary economies creating severe problems relating to sources of raw materials, was possibly the most important single event in the long economic history of this country.

BOOKS BRIEFLY

Naturally appearing first in the book are a number of articles on theoretical aspects of planning and plan models. India happens to be one of the countries where growth-models have been actually used in the planning process. K.N. Raj has discussed the growth models underlying India's first and second five year Plans with special reference to Mahalanobis model and has provided a summary view of the proposed alternative Raj-Sen model of economic growth with stagnant exports. With exports bouncing upwards since 1970, Raj Sen model hardly carries any relevance at present. There is Sukhamoy Chakravarty's explanation of the mathematical frame work of the third Plan in the context of multi-sector model based on the works of Pant and I.M.D. Little.

reason for failure

We meet again the famous article by D.R. Gadgil who was critical on the ground that planning in all the five year plans has proceeded with the total lack of an appropriate policy frame. This, according to the author, was responsible for failure of five year plans to attain various objectives like price stability, external balance, fuller employment and so on. D.R. Gadgil therefore recommended an overall regulatory framework and a consciously developed integrated policy including a network of public distribution system for essential commodities. Gadgil's article raises certain issues: Would the ruling elite prepare a regulatory framekwork which would hurt the class interests? Would public choice rather than private choice lead to more efficient functioning of the economy? As V.M. Dandekar pointed out, "we may have a framework without the motive power." And when Gadgil became the deputy chairman of the Planning Commission, why did he rely more on private choice?

The editor has traced the failure of Indian planning to "the lack of a suitable mechanism in the planning process to recognise the interrelationship between macro-level and micro-level planning and take effective steps to minimise conflicts at these two levels."

Though written in 1966, D.R. Gadgil's article on district planning covering several aspects of the problems and policies connected with it still appears

evant in the context of much talk about trict planning these days.

Amartya Sen has analysed the multi-mensional phenomenon of poverty and s pleaded for a more discriminating easurement of poverty than the 'head unt ratio'. He has also pleaded for formulation of government programme r reduction of poverty on the basis of ew studies of the complex problem of overty in India.

John P. Lewis has predicted for India etter economic future for which he has utlined a ten-point guideline which nclude suggestions such as more ecisive role for the central government specially in respect of localised disputes, oncentration of attention on faster rowth rather than welfare goal and reater and more assertive central govern-nent role in the sphere of transport, ommunications, electricity and such ther infrastructure facilities. If these uidelines are followed, "within about a lecade, it could make India, not just the econd largest, but about the most successful developing economy in ight."

perverse curve

Various articles in the agricultural section throw doubt on the supposedly perverse supply curve of agricultural commodities. There appears to be substantial empirical evidence to show that Indian farmers do respond rationally to changes in relative prices when allocating their resources to the production of a particular crop.

Amartya Sen has analysed the problem of disguised unemployment in Indian agriculture and has pointed out that "the assumption of zero marginal productivity of labour, so often made in existing economic literature, for identifying the situation of surplus labour is neither a necessary nor a sufficient condition for the existence of surplus labour."

V.M. Dandekar has made out a case for large agricultural production units based "not on capitalist principles but for collective good", where the best possible use is made of individuals through voluntary cooperation, and with a system of fair distribution and incentives for increasing efficiency. Nowhere has the author specified as to how these crucial questions are to be solved for successful operation of large cooperative farms. With development of modern agricultural techniques for small farms as in Japan, talk of large cooperative farms which were tried and have failed, appears outdated. In fact the article was written in 1962 when there was much talk of cooperative farming. It has ceased to be of any relevance in 1978!

technological aspect

M.L. Dantwala, while writing on green revolution, emphasises the technological aspect of that revolution leading to increased productivity and agricultural output and has emphasised that "institutional changes such as land reforms have a very limited role to play in such a transformation." It is strange that the question of motivation should have been so lightly brushed aside by the author.

Ved Gandhi, D.T. Lakdawala and K.N. Raj all feel that the agricultural sector is undertaxed and there is a strong base for increased taxation of that sector.

Most of the articles in the section on the foreign sector, talking about stagnant exports, lack of competitiveness of Indian exports etc appear out of date in the year 1978. However the editor's article on Asian regional economic cooperation in the field of trade and payments appears to be more relevant than when it was first published in 1971. The author has concluded that India's participation in such measures for economic cooperation in the Asian region would definitely result in more benefits to India compared to costs involved.

Collecting selected articles out of all those written by eminent economists since planning commenced in India is a stupendous task. On the whole, the author has achieved a fair amount of success. And yet, as already pointed out, some dead wood is still there and deserves to be weeded out in the next edition which is bound to see the light of the day as this low-cost second edition would be found useful by graduate and post-graduate students of the subject.

ECONOMIC RELATIONSHIP

India is engaged in a mighty struggle to build its economy along progressive and equitable lines. The Indian experiment is unique in the sense, she has been receiving substantial aid from both the USA and the USSR. Sadhan Mukherjee has made an attempt in his book *India's Economic Relations with USA & USSR* at "analysing the degree, nature, motivation and impact of economic relations that India is having with these two countries."

The book is divided into two parts, the first dealing with India's relationship with the USA and the second with the USSR.

The author begins by describing the search of the USA for 'an empire' of its own. But the author has made it clear that America has not been a coloniser in the traditional sense; it has been a neo-coloniser using pliant governments to open their back doors. Where such governments did not exist, they were brought into existence. Even President Woodrow Wilson said: "I want to teach the South American Republics to elect suitable people." That role America continued and continues to play in Asia and Africa even at present through its aid programmes, military pacts, the CIA and the multinationals with their ingenious methods called economic imperialism.

Kashmir imbroglio

The author has analysed in detail the American hand in Kashmir imbroglio after the formation of the SEATO. The hostile attitude of the USA towards India continued even during the Kennedy era. And who will forget the Dulles-Cunha communique issued in 1965 declaring Goa 'a Portuguese province'? The matters came to a climax during Nixon's presidency when Kissenger pronounced the notorious 'tilt' theory in favour of Pakistan over Bangladesh issue. Even an academician like Moynihan turned out to be an anti-third world protagonist wanting to rename the Indian ocean as 'the Madagascar sea'! And now the culmination of the policy during Carter regime threatening to scrap contractual deal to

supply enriched uranium to Tarapur atomic power plant!

The author has explained that except to a very small extent, 'aid' is a misnomer in the case of the USA. There is tremendous politics in aid. Nearly 30 per cent of India's export earnings go for servicing of foreign debt. The entire US aid programme is "closely related to a strategy of cold war than to a strategy of development." In this connection the author has analysed what he calls the case of PL 480 which not only helped to stabilise American foodgrain prices but depressed Indian agriculture and also provided funds to the CIA to play havoc in India's internal matters through cultural and other institutions. The USA is using even international trade and oil to blackmail independent countries like India. The operation of US private capital and institutions such as the USIS are all, according to the author, ploys used by the Pentagon and the CIA to penetrate into India's political, economic and even educational fields.

Part two of the book deals with India-USSR relations. The author has maintained that the Soviet attitude to India is not an isolated one-country approach. The entire Soviet approach is based on their doctrine that "the peoples of colonies and underdeveloped countries are the allies of socialism in the struggle against imperialism and its world domination." The author has described in detail the USSR aid in developing India's output of steel, metallurgical, electrical and such other basic materials with a view to making India self-reliant and less dependent upon western countries.

Soviet aid

The author has described the Soviet aid to India in building up her public sector which is truly a remarkable achievement since independence, especially in the face of the American refusal to assist public sector enterprises in India. The Soviet assistance in building projects in fields such as metallurgy, engineering, power, oil mining, pharmaceuticals, agriculture, space research and in miscellaneous fields has been analysed in detail. Comparing the American and Soviet aid and the manner and motives behind such 'aid', the author has concluded that 'our economic relations with the USA and the USSR are really a contrast of two different socio-economic systems, their nature and aims."

There is no doubt that there is something drastically wrong with the American aid programme. Their motives are suspect so much so that even their erstwhile friends have turned against them. In the case of India the undoubted benefits due to vast American aid in various fields seem to have been more than neutralised by three wars with Pakistan mainly provoked by the American military aid to that country. On the other hand the Soviet assistance, though substantially less than the American aid, seems to have created much better foundation of goodwill for that country. Much worse, the USA seems to have learnt nothing new from its failure in this regard all these years. May be the author has taken as extreme position in regard to the USA and the USSR but the documentary evidence that he has offered appears almost irrefutable. What is more, the book makes interesting reading, though one may not necessarily share all that the author has to say.

A PARENTAL LINKAGE

During the post-world war II period, the problems of industrial relations and labour legislation have been assuming great significance and have been attracting considerable attention both at the hands of academicians and policy-makers.

Industrial relations and labour legislation in India have a sort of parental linkage to the developments in those spheres in Britain. Naturally proper understanding and appreciation of the Indian scene requires simultaneous reference to the British experience in similar fields. *Industrial Relations and Labour Legislation* serves that purpose admirably.

The authors begin by giving the historical perspective of the origin of trade unions and industrial relations and factors affecting and conditioning their growth as also the present patterns and position of industrial relations and labour legislation in Britain and India, with occasional references to developments in the same field in other countries including the USSR.

The first part of the book deals with the history of British and Indian trade un movements and examines in detail problems of compulsory unionism, str ture and administrations of trade unio their finances and issues concerning th multiplicity and outside leadership. T authors have also analysed in consid able detail the relative roles of differe mechanisms and institutions in the sett ment of industrial disputes and vario issues in labour-management cooperati both in Britain and India.

historical background

In the second part of the book whic is of a technical nature, the authors hav provided the historical background an development of different labour laws particularly laws in respect of wages trade unions, social security, industria relations and labour welfare. The author have analysed in detail the various labou laws in India the parentage of which almost always goes to earlier but simila labour legislation in Britain. The book ends with an analysis of the impact o the ILO on the Indian labour legislation.

Naturally Indian developments in the field of trade unionism and labour legislation would attract greater attention of Indian readers. We meet here the vicissitudes through which the Indian trade union movement has gone since N. M. Lokhande set up the Bombay Mill Hands' Association in 1890. What characterises trade unionism in India even at present is the multiplicity of unions right from the plant to the national level which is dominated by the INTUC, the AITUC, the Hind Mazdoor Sabha and the UTUC, with further splits in national federations after splits in the Indian National Congress and the Communist party of India.

It is a tragedy for trade unionism in India that the principle of recognition of representative trade unions has yet not been worked out to the satisfaction of all parties concerned. While collective bargaining is a dominating factor determining employer-employee relationship in Britain, in India compulsory adjudication appears to have come in the way of development of trade unionism along proper lines. Also, the role of trade unions in the context of planned economic

development of the country will have to be re-examined and proper norms developed to suit changed background and requirements. No one seems to have given serious thought to the possible conflict between collective bargaining and planned economic development. Trade union norms and practices suitable to early 20th century England would certainly not be an ideal model for India of 1970s.

The problems of industrial relations in India have also received considerable attention at the hands of the authors. Multiplicity of bodies right from the plant level (works committee, joint management council, trade union and so on) to the national level with national tribunal appointed by the central government, not to speak of almost parallel bodies established by state legislation similar to the Industrial Disputes Act of 1947, has been bedeviling the sphere of industrial relations in India to the detriment of the interests of all parties concerned as also to that of the national economy.

social security

The social security programmes in developed countries have left great impact on similar programmes in India. Unfortunately nobody has tried to work out their impact on cost and profit margins especially of industrial establishments of medium and small sizes to which the schemes are applicable.

The chapter on the International Labour Organisation (ILO) is comprehensive and extremely informative. We get a list of conventions ratified by India and come to know the deep impact of the ILO on industrial relations and labour legislation in India. But here again a fnndamental question has remained unanswered for long. Would not these conventions based on norms appropriate to developed countries be a burden on industries in developing countries ? Should not there be separate set of conventions for developing countries, if they are to maintain their competitiveness especially in export markets ?

Though the authors have not provided any answers to some of these critical questions that arise in the minds of readers, this well-brought-out and comprehensive book provides all the necessary information, historical and present, that one needs about industrial relations and labour lagislation both here and abroad. This low-priced publication should prove very useful to students of labour economics in Indian universities as also to workers in the labour field.

A STUDY ON NEPAL

This book *Readings in Nepalese Economy* contains a selection of the author's articles on different aspects of the ecomy of Nepal, which have already appeared in different newspapers and journals, The author was sent on deputation to Nepal by the government of India as a Colombo Plan reader for two years (1973-75) and had the opportunity of closely associating himself with the country's highest national economic research institute, namely the Centre for Economic Development and Administration (CEDA) at Kathmandu. The articles in this volume throw light on the various developments which are taking place in different sectors of the Nepalese economy. Because of the proximity, Indian students should have special interest in developments in the Nepalese economy.

Nepal with an area of about 54,000 square miles has a population of 12.5 million and per capita income of about $ 100 per year. No serious efforts were made to develop the economy until 1956 when the country launched its first five year Plan which started the process of development. But according to the author, the first Plan was a failure, due to prevailing political instability in the country. The multi-party system continued till 1960 when King Mahendra introduced partyless panchayat democracy as the country's viable political system. According to the author, the country has "consistently marched ahead on the road to progress . . . and it has now proved that this system is suitable for that country's development".

With the panchayat system at the grass roots, attempts are made to accelerate the pace of development through planned process. The fourth five year Plan ended in 1975 and the country is now in the midst of the fifth Plan. The fifth Plan, unlike the previous plans, accords high priority to productive investment with emphasis on balanced regional development. Keeping in view the geo-political structure, the country has been divided into four regions—the far western, the western, the central and the eastern, with regional centres at Surkhet, Pokhara Kathmandu and Dhankuta.

The growth centres undertake feasibility studies in respective regions, With the implementation of various projects in these regions and with linking up of growth centres by roads, it is expected that the remote areas of Nepal will finally be able to get out of the vicious circle of isolation and underdevelopment It appears that this regional approach has already started paying results.

According to King Birendra, Nepal's ultimate aim is to move along the road to self-reliance through mobilization of internal resources and their effective utilisation for stepping up production and exports by diversifying development activities. It must be appreciated that because of severe contraints on resources the task of making the Napalese economy self-reliant is a difficult one.

precondition for growth

Since farming is the mainstay of the Napalese economy. quite naturally agricultural development is a pre-condition for growth and industrialisation. The government has taken in recent years a number of measures to raise agricultural production. Thus the fifth Plan has given top priority to agriculture with nearly 34.5 per cent of the total Plan outlay. At the same time, the industrial sector has also received considerable attention. The fifth Plan aims at expanding existing industries and establishing several new ones producing goods of daily necessity and some construction materials. Thus the industrial plan includes setting up of rosin and turpentine units, a magnesite and a fertiliser plant, a paper and pulp factory, a cement factory in the public sector, and about 127 different factories in the private sector based mainly on agriculture, forestry and minerals. The development of these industries is expected to reduce the ecountry's dependence on imports.

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Agricultural development is also expected to push up the country's exports.

It is observed that with the implementation of a new communication plan, the national economy is being integrated and there is greater awakening among the masses who are showing increasing readiness to offer their cooperation in the process of the country's development. The new education plan has already started to turn out technical manpower necessary for the country's development. Nepal is receiving considerable foreign assistant, thanks to the country's non-alignment policy.

Probably this is the first book by an Indian economist on the Napalese economy. Considering the wide gaps is statistical data and other relevant information, the author has been fairly successful in giving in broad outlines the picture of developing economy of Nepal in which India has reasons to be particularly interested.

GUIDELINES FOR FUTURE

Dr V. B. Singh has made an attempt to bring together within the small compass of his booklet *Nehru on Socialism*, Jawaharlal Nehru's speeches and writings on the topics which are still relevant. Nehru's understanding of India's problems in varions fields and the progressive and scientific attitude that he brought to his analysis might still provide guidelines for the future reconstruction of the country.

Jawaharlal's broad reasoning was that India would not fight for her freedom without fighting for democracy at home at the same time, and that political democracy in the country would not survive without economic democracy. Freedom, democracy and socialism therefore became inseparably associated in the speeches and writings of Nehru and after independence the main framework on which to build Indian polity and economy.

Nehru era may truly be said to begin with the Lahore congress session in 1929 when the resolution on complete independence was passed. In the presidental address, Nehru emphasised that exploitation by imperialist countries was the root cause of India's poverty, inequality and social disequilibrium. He said prophetically"...we must realise that the philosophy of socialism has gradually permeated the entire structure of society the world over, and almost the only points of dispute are the place and methods of advance to its full realisation. India will have to go that way too, if she seeks to end her poverty and inequality, though she may evolve her own methods and may adapt this ideal to the genius of her race."

Nehru was attracted to socialism because it made scientific economic sense. He looked at socialism as the only way of ending poverty, vast unemployment, degradation and subjugation of the Indian people. There was no other way to solve these problems. Nehru was quite aware and did express the view that adoption of socialism would involve "vast and revolutionary changes in the political and social structure, the ending of vested interests in land and industry... it means a new civilisation radically different from the present capitalist order ...Socialism is thus for me not merely an economic dectrine which I favour; it is a vital need which I hold with all my head and heart." He made these observations at the Lucknow congrees session.

great contribution

Nehru's great contribution to democracy and socialism was that he associated workers, peasants, students and writers with the fight against imperialism since 1936. In his autobiography Nehru stated that capitalism survives in the persistent and continued confiscation of peasants' lands and workers' labour. He felt that ". . . a clash of interests seems inevitable. There is no middle path. Each one of us will have to choose our side."

For Nehru, caste, communal and regional strifes are rooted in economic inequalities and the oppression of the propertyless by the propertied. The ideal solution to these problems is socialist society in which private property will not be the basis for exploitation of man by man.

Jawaharlal was the undisputed and unchallengeable leader of the Congress party and of its government for more than twenty years. Why is it then that when such a passionate devotee of socialism was in power, the country moved further and further away from the goal of socialism during his long tenure? Nehru himself has answered this question. He pointed out that Indian National Congress was a bourgeois organisation with middle class dominance over the party; and under the middle class "there could be no clear-cut programme for the massess and the Congress became prey to authoritarianism and the battle ground for rival cliques fighting for control, and in doing so stooping to the lowest and most objectionable of tacties, Idealism disappeared. and in its place there came opportunism and corruption."

This booklet in fact carries views and opinions of Jawaharlal Nehru on a host of subjects like Indian labour movement, freedom, fascism, princely states in India and of course on socialism which is supposed to be a panacea for all ills and evils in India. The link that binds all these diverse articles is however freedom, democracy and socialism. While the articles proclaim the undying faith of Jawaharlal Nehru is socialism, they also bring to the reader's mind, even while reading these articles, his monumental failure to take the country towards that goal. Probably Lenin was right when he said that socialism was not for the timid! Possibly democrat in Nehru overshadowed socialist in him. If Jawaharlal were to heed Gandhiji's advice and disband the Congress party, and head a new socialist party, probably history of India would have been different. But then these are mere 'ifs' and 'buts' of history!

PLANNING AND POVERTY

A vast number of books has been written on planning in India, and on planned efforts at the removal of poverty. While these problems appear to have been analysed threadbare with hardly anything to add, it ought to be noted that planning, like life itself with whose problems it deals, is capable of newer and newer interpretations. B. Kumar has certainly done a commedable job in *Contours of Planning and Poverty* in reinterpreting a phenomenon that has been already interpreted by more eminent ones

nd yet succeeding in holding the ground urely on the basis of merit. In fifteen hapters each packed with facts and well-rranged figures, the author has presented general survey of the planned progress nade since the inception of planning.

Having surveyed the period of planning n India from 1951 to 1976, the author as pointed out that inflation has been recurring theme since 1956; so is food risis; problem of unemployment has proved as elusive as ever; regional plan-ning has still left the states with per capita income below the national level; and planning has hardly made any dent on poverty in India.

nominal growth

While the size of plans has been grow-ng, the author has shown that per capita public sector outlay (in terms of constant prices, assuming 5 per cent annual rise in prices) has grown only marginally; first Plan (Rs 10.96); second Plan (Rs 16.62); third Plan (Rs 27.00); three annual plans (Rs 36.00); and fourth Plan (42.00). Even if we consider aver-ge, the amount is hardly enough to make ny impact on living standards. It also neans that the share of the vast majority nust be much below the average creat-ng practically no impact or only negligi-le impact on their standard of living.

Analysing financial planning, the author as pointed out how it has not been in-egrated with physical planning; it lacks ational basis of distribution over plan eriod; it has generated inflationary pres-ures; its bias towards heavy industry ector has resulted in various bottlenecks; nd taxation and other measures proved nadequate to mop up the extra money ncome generated in the economy without eing accompanied by proportionate in-rease in consumer goads. In fact there as hardly any financial planning in the ue sense of the term!

Analysing the profile of poverty, the he author has given the estimated figures f different authors of people below the overty line. On the basis of his own alculations, the author has arrived at he estimate of 328 million for the year 971-72. Comparing the estimates of arious authors, it is observed that even or the same year, there are wide varia-ons. For example, for the year 1967-68, while Dandekar and Rath have arrived at the figure of 138 million, the Reserve Bank figure is 289 million in rural areas alone and B.S. Minhas' figure is 247 million. Dr Sukhatme has recently chal-lenged both the methodology and figures of most of these authors and has arrived at a figure which is half of that arrived at by Dandekar and Rath. This only shows that a rigorous effort in neces-sary to know the true extent of poverty.

Examining the pattern of consumption in India, the author has analysed the problem in a comparative way and has shown that in respect of cereals, per capita consumption in India is higher than in most countries except Yogoslavia; in respect of milk, India occupies last but one position (among the 13 countries he has taken for comparison); in respect of cotton cloth, even countries like Brazil and Argentina consume more per capita cotton cloth than India which happens to be a leading producer of cotton cloth; and in respect of energy consumption, India occupies the last place.

After summarising monetary policy of the government of India, the author has suggested that the flow of money should be regulated on the basis of an index of production of national output with some adjustment for anticipated growth rate; the total money supply so determined should be allocated to different sectors on the basis of plan priorities and targets; flow of bank credit to the government sector should be regulated according to plan priorities; and flow of funds to in-dustrial sector should be on the basis of production or turnover. The author has rightly insisted that so long as produc-tion-oriented monetary policy is not devised, it is doubtful if the price level can be controlled. In this connection the author has given an outline of how money is managed in socialist states. It is obvious that you cannot have a plan-ned or even a mixed economy with monetary policy appropriate for *laissez faire* type of capitalism. There has been clearly failure on the front of money-management.

India is facing a task almost unpre-cedented in human history. With a load of one-seventh of world's population, exploited for nearly two hundred years by foreign rule, carrying a dead weight of history in the form of social and cultural conflicts, with one of the lowest per capita incomes in the world and people emaciated and disspirited, India has launched a programme to establish democracy, socialism, secularism and to attain planned economic development. This would certainly call for greater dedication, discipline and efforts on the part of people than heretofore. This book gives an idea of what went wrong and what needs to be done. With excellent material, the book should have been pro-duced in such a shoddy manner makes one sad.

The spiritual travail

A Prisoner's Scrap-Book ; Lal K. Advani; Arnold-Heinemann; Pp 328; Price Rs 45.

Reviewed by **V. B.**

The author needs no introduction, but this book has also other claims to merit. Mr Advani seems to have gone through his detention in a spirit of cheerful accep-tance, as an experience in the maturing of his political will and personality. There is no trace of self-pity in this prison diary, nor any hungering for martyrdom, Mr Advani was clearly counting the days when the tyranny would end and Indian democracy would again triumphantly come into its own. He is of course not insensitive to the pain and anguish of the emergency or its excesses, but, while he has even provided a few moving cameos of detenus who had suffered physical torture, it is the spiri-tual travail of a whole people who had so easily lost their liberty which he seems to have found most difficult to accept.

In his description of prison life, again, Mr Advani is less concerned with the First Person Singular than with how a company of individuals, thrown into physical proxi-mity and compelled to share the routine of daily life, so easily becomes a family. Mrs Gandhi's fatal blunder was that she did not order the segregation of detenus of various political parties, preferably among different prisons. Just read this: "It was a pleasure to meet friends and

lleagues at Rohtak. . . . Asoka Mehta
d Sikandar Bakht of the Congress(O),
ju Patnaik and Piloo Mody of the
LD, Samar Guha of the Socialist Party,
am Dhan of the ruling Congress, Bhai Mahavir of the Jana Sangh and Major Jaipal Singh of the CPI(M)." In other words, it was Mrs Gandhi herself who was unknowingly preparing the *kichiri* which was to prove her undoing.

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TRADE WINDS

Gold Auctions

THE THIRD auction for the sale of gold from government stocks was held on May 31, 1978. At the time of going to press the results of the auction are not available. However this auction also was held on the basis of sealed tenders, as the previous two, from those holding licences to deal in gold under the Gold (Control) Act, 1968. In modification of its existing gold sale policy the government on May 24 prohibited sale of government gold by licensed dealers outside their premises. This is intended to discourage resale of gold purchased by dealers at the Reserve Bank auctions at the place of the auction itself. Licensed dealers from places outside Bombay, who purchase gold from the Reserve Bank of India, cannot sell it at Bombay itself, but have to take the gold to the places of their business for sale.

Modification in Scheme

This modification, according to the government spokesman had become necessary because of the reports that some of the dealers from outside Bombay had resold the gold purchased by them during recent auctions in Bombay itself, with the result that the objective of easing gold prices through larger availability in different parts of the country was defeated. Section 27(7)(b) of the Gold (Control) Act lays that a licensed dealer shall not carry on his business at any premises other than the one specified in his licence. However in 1976, the government had issued an exemption order permitting sale of standard gold bars outside licensed premises in the town where these bars were refined.

The gold sale scheme is being further modified to make it more effective in the light of the experience gained during the three auctions held so far.

Goldsmiths all over the country are agitating against the present system of gold auctions in which, they allege, speculative dealers have earned huge profits. The Finance minister however is opposed to the suggestion that all goldsmiths should be entitled to participate in auctions, nor is he favourably inclined towards statutory price control of gold.

Government however proposes to reduce the limit under the Gold Control Act of possession of gold from two kg to one kg by individuals and from four kg to two kg by families.

The US and IMF Sales

The United States also sold last week, 300,000 ounces of gold raising $54 million in its first auction in almost three years. While the Indian government is selling gold to peg its price and as a counter to smuggling of gold into the country the United States is auctioning gold to convince the world about its determination to reduce its trade deficit, which had reached $26.7 billion last year, and to arrest the decline of its dollar. The US gold was auctioned at prices ranging from $180.38 to $192.35 per ounce. It is planned to hold five more auctions in an equal number of months for the sale of US gold.

The IMF also had sold its gold in recent years at the rate of 500,000 ounces a month. At first the prices in the international market had come down from $126 per ounce on June 2, 1976 to $109.40 on September 15 of that year. In subsequent auctions the IMF realised higher and higher prices and lately it sold gold at around $170 an ounce.

Speculative Demand

Coming back to India, even with the release of two tonnes of gold from the government stock in two auction, its price was ruling around Rs 690 at the weekend. This is in spite of the marriage season about to end and slack monsoon season ahead. This firm tone was maintained because of speculative demand and cornering of floating stocks by individuals operators.

The bulls among the gold dealers are confident that gold price will cross Rs 1000 for 10 gm with the onset of the next festive season after the rains. They predict that the gold sale policy and the forthcoming import of gold against the export of gold jewellery, would be a failure.

They admit that the gold price would move down for some period with the marriage season coming to an end, and setting in of the monsoon, which is usually a slack time for gold and silver. In this context, the auction of gold by the government may have a somewhat bearish impact for the time being. However, remains to be seen, wheth the government's hopes lowering the gold value ev during this time would be fruit.

Rupee Revalued Against £ and $

The Reserve Bank of India o May 24, announced revalua tion of the rupee to the exte of 2.5 per cent in term of the pound sterling. Th revised rates for the purchas and sale of pound sterlin for spot delivery with effe from May 24 will be as fo lows: (per Rs 100) sellin £6.4935 (Rs 15.40 per pound) buying £ 6.5353 (Rs 15.30 pe pound)

The spot buying and sellin rates have been so fixed as t give a middle rate of Rs 15.3 against the existing middl rate of Rs 15.75.

The exchange rates fo purchase and sale of poun sterling currency notes b authorised deales and mone changers from and to the pub lic have also been revised wit effect from May 24, 1978 a buying £ Rs 15.05 and sellin £ Rs 15.65.

Two days later, on May 26 the Reserve Bank announce an upward revaluation of th rupee in relation to th US dollar also by about tw per cent. The exchange rate for purchase of the US dolla currency notes from the publi by authorised dealers an money changers will b Rs 8.20 per dollar agains Rs 8.35 hitherto and for sel ling to the public Rs 8.6 against Rs 8.75 per dollar.

The revaluation reflects th continued weakness of bot sterling and dollar in relatio to two major exchange curren cies of the world whose cu rent rates are taken togethe

determine the exchange lue of Indian rupee.

hree Central Loans

The centre on May 25 an- unced the creation of further nches of three outstanding ntral loans for a total ount of Rs 200 crores. A nance ministry press note ys that the three loans uld be 6 per cent loan 1988 r Rs 40 crores, 6.25 per cent an 1995 for Rs 40 crores and 75 per cent loan 2006 for s 120 crores. The entire ount will be taken up ini- lly by the Reserve Bank for ing made available to inves- rs at prices to be notified om time to time.

These tranches have been eated in order to replenish e holding of medium and ng dated securities of the eserve Bank of India so as cater for the requirements f provident funds and the stitutional investors.

These three loans constitute e second phase of the gov- nment's market borrowings 1978-79. In the first phase nnounced early this month e government had raised s 550 crores.

STC to Import Polystyrene

The State Trading Corpora- on will import 4,000 tonnes f polystyrene to meet the sing domestic demand for is material. This will be the rst time in four years that olystyrene will be imported. he urgency for the import of his non-canalised item is ue to the current labour rouble in the two units in the ountry manufacturing poly- tyrene namely, Polychem td and Hindustan Polymer.

To make available the im- orted polystyrene to the end sers at the domestic prices, the duty is being reduced from 212 per cent to 135 per cent. The landed cost inclusive of import duty will be Rs 13,135 per tonne, same as the cost of the domestic manufacturer.

New Wage Structure for Fertilizer Workers

A new wage structure for the unionized categories of employees of the Fertilizer Corporation of India has been finalised and an agreement has been reached between the management and the representatives of the recognised unions.

The new wage structure gives a minimum gross benefit of Rs 65 from January 1, 1976. The fixed dearness allowance shall range between Rs 100 and Rs 225 for different pay scales and there would be no reduction in fixed dearness allowance if the All India Consumer Price Index goes down.

Imports by State Agencies

The Commerce ministry has made some more changes in the current year's import policy. Public sector agencies like the STC, MMTC, and state small-scale industries development corporations will now be allowed to import items placed on the Open General Licence for off-the-shelf delivery or against specific requests of eligible actual users.

These agencies have also been granted licences for importing capital goods, raw materials, components and spares or any other items covered by para 68 of chapter 10 of the policy. The items can be sold to eligible actual users subject to certain conditions. In the case of capital goods, actual users will now be allowed to import along with the main equipment its accessories and spares (whether banned or not) up to an aggregate limit of five per cent of the value of the main equipment.

Import Duty on Cellulose Nitrate

The import duty on cellulose nitrate sheets and cellulose nitrate films has been reduced from 130.12 per cent to 75 per cent ad valorem. This reduction is expected to help small-scale and cottage industries such as comb, spectacle frame and bangle manufacturers.

Ball Bearing Units

Two giant projects will be launched by Mehta Group of Industries in Karnataka, on June 4, 1978. The two projects are Karnataka Ball Bearings Corporation for the manufacture of ball bearings, taper roller bearings and cylindrical bearings with the collaboration of M/s Nachi Fujikoshi Corporation, Tokyo. The other, Jay Needle Bearings Corporation for manufacture of needle rollers, bushes and cages with the collaboration of M/s Koya Seikho Co Ltd, Osaka. India is still importing substantial quantities of various bearings to the extent of Rs 20 crores per annum. These two bearings projects will be both export-oriented and import-substitution units. The projects are being set up in a backward area at Mysore in Karnataka.

More Aid Needed for Sixth Plan

Increased external assistance will be necessary for the success of India's sixth Plan, according to an assessment made by the World Bank. The bank's study, prepared for the meeting of the Aid India Consortium in Paris next month, says the trade deficit and current account deficit will reach new high levels during the second half of the sixth Plan. External assistance will once again become an important factor in equilibrating savings and investment and balancing external payments. The study endorses the Plan's strategy which it says, presents a great opportunity for promoting the development of the Indian economy.

Surveying external assistance to India, the study says it has been stepped up in the last three years. The commitments rose from an average of $1.4 billion yearly in 1970-75 to an average of $ 2.5 billion a year during 1975-78. Net disbursements rose from an average of $ 800 million to an average of $ 1.5 million. Though the rise in external assistance had been sharp in nominal terms, the condition of these flows to India's real import capability did not increase between these two periods. Net transfer of resources from abroad has never been above three per

Jay Shree Tea & Industries Limited

Notice to the Shareholders:

NOTICE is hereby given that the 32nd Annual General Meeting of the shareholders of the Company will be held on Friday, the 14th July, 1978 at 3.30 P. M. at Birla Buildings, 9/1, R.N.Mukherjee Road, Calcutta 700001 and its agenda has been/ will be circulated to all members of the Company in time.

The Equity Share Transfer Registers (Registers of Members) will remain closed from 22.6.1978 to 14.7.1978 both days inclusive for the purpose of payment of dividends.

By Order of the Board
For Jay Shree Tea & Industries Limited
B.C. Biyani
President

Registered Office:
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10, Camac Street,
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Dated, the 20th May, 1978.

cent of the Gross National Product. It fell to as little as 0.8 per cent between 1969-70 and 1973-74.

With the general softening of aid terms in recent years and in particular the increasing proportion of aid given in the form of grants, principal repayments to consortium members are projected to remain within the range of $450-500 million over the next five years.

Two More Tourist Offices Abroad

Two new tourist offices have been opened in Bangkok (Thailand) and Perth (Australia) to tap the potential markets in south-east Asia and Australasia, Tourist traffic from these regions has been growing steadily during the past few years. In 1977, 44,778 tourists had been recorded from south, east Asia compared to 39,646 in 1976. The number of tourists coming from Australasia in 1977 was 29,982 as against 27,089 in 1976. The two new tourist offices will be covered by 'Operation Australasia' which includes the tourist offices at Sydney and Singapore and the one-man bureau in Melbourne. There are now 18 overseas tourist offices covering various regions which function under the 'Operation' scheme, first launched in Europe in 1968 to ensure close coordination between the department of Tourism and Air-India which share the cost of promotion and publicity.

Indian Exhibtors at German Trade Fairs

Thirty five Indian exhibitors participated in seven German trade fairs represented by the Indo-German Chamber of Commerce, during the first three months of 1978. Favourites were the International Hardware Fair, Cologne, the IGEDO, Dusseldorf and the INHORGENTA, Munich.

The International Frankfurt Fair, held in spring and autumn each year, again attracted a large number of Indian exhibitors. The sole representative for the International Frankfurt Fair, Mr K.S. Hirlekar, Western India House, Sir Pherozeshah Mehta Road. Bombay, can arrange advance sales of admission tickets at reduced rates.

For fairs represented by the Indo-German Chamber of Commerce through its offices in Bombay, Delhi, Madras, Calcutta and Bangalore, admission tickets are also available for buyers and visitors to the fairs.

Maharashtra State Electricity Board

During the year 1977-78, the total power generation in Maharashtra from all power stations was 15,683 MUs of which generation from the power stations of the Maharashtra State Electricity Board was 10850 MUs i.e. 69.18 per cent. The output from Maharashtra State Electricity Board thermal power stations increased over the previous years, due to maximisation of generation. The performance factor of the thermal power stations increased to the optimum level of 5942 Kwh/Kw from 5507 Kwh/Kw of derated capacity during 1976-77. This was substantially higher than the all-India average of 4900 Kwh/Kw (1976-77) and may perhaps be the highest in the country.

The system could meet 2331 MW of peak load during the year due to efficient management of power stations and the system as a whole, though the installed derated capacity in the state was only 2696 MW and the firm capacity was only 1834 MW. According to the Central Electricity Authority (CEA) the Maharashtra State Electricity Board is likely to achieve a surplus during 1977-78 amounting to Rs 19.46 crores. According to the CEA, there are only three other electricity boards in the country likely to earn a surplus during 1977-78, these being of Gujarat, Andhra Pradesh and Kerala.

Vanaspati Manufacturers' Meet

The managing committee of the Vanaspati Manufacturers' Association of India held a special meeting in Delhi recently to review the supply position of vanaspati in order to ensure that the commodity reaches the consumer at the correct price.

Vanaspati production has been affected by inadequate supply of imported oils, power cuts, shortages of other inputs like coal, tinplate, etc.

It was decided at the meeting that all members of VMA will observe price discipline and sell vanaspati at Rs 140 per tin of 16.5 kg inclusive of excise duty and delivery charges but exclusive of sales tax and other local taxes and wholesaler's and retailer's margins, etc. With a view to ensuring discipline within the industry, zonal and state vigilance committees, with representatives of the industry and eminent public figures, will look-in to complaints of overcharging by manufacturers.

The association is setting up, in about 20 major vanaspati consuming centres, a voluntary distribution system to ensure that the benefit of supply, by the factories at Rs 140 per tin, is passed on to the consumers. The member factories will supply vanaspati to the public distribution system, on priority basis, in such quantities as may be required from time to time.

Abnormal Food Scarcity in Africa

Twentysix countries are currently affected by the abnormal food shortages, mostly triggered by shortfalls in food production in the past year, according to the head of the Global Information and Early Warning System of the Food and Agriculture Organisation (FAO). Most of the countries on this list belong to the vulnerable Most Seriouly Affected (MSA) group; they have a total population of 230 million. Apart from the Sahel, other African countries suffering from food shortages include Ghana, Guinea, Guinea-Bissau, Togo, Burundi, Ethiopia, Mozambique and Zaire. FAO estimates that MSA countries in 1978 have cereal import requirements of 16.3 million tons.

Transportation remains the main bottleneck in Sahelian countries and food supplies are becoming particularly scarce in Niger. Elsewhere in Africa, there is cause for concern in Ghana, where large imports are needed to fill a gap in cereal supplies before the harvest becomes available in July. In Guinea-Bissau timely arrival of aid will be essential to ensure food supplies until the November harvest while in Mozambique recent floods have worsened food problems. In south east Asia additional food aid pledges are required to cover an estimated 38,000 tons of cereals for Laos this year as well as 570,000 tons in uncovered needs for Viet-Nam. The food shortage in Viet-Nam is likely to worsen since 1978

arvest have been affected by rought and widespread insect festation.

All Clear for the Airbus

The European aircraft industry has been gaining ground ver since the Federal Republic f Germany, France, Britain, he Netherlands and Spain greed on the joint production of the Airbus A 300 B2/B4. Since the end of Second World War in 1945 it was the United States of America which had dominated aircraft construction.

It now looks as if the airbus has made its breakthrough. An American airline has ordered 23 of these aircraft. Indian Airlines is operating at present four airbuses. The fifth will be joining the fleet next month. The People's Republic of China has also expressed interest in the aircraft.

The Europeans also hope to have success with the smaller B10 version of the Airbus, work on which will begin this summer.

British Steel Supply in Record Time

The Britsh Steel Corporation (BSC) has shipped to this country, within a record time of less than 60 days, approximately 17,000 tonnes of plates and structurals urgently needed by industry.

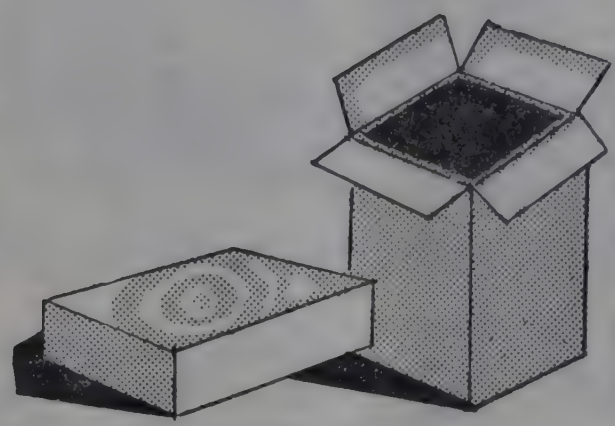
The contract in respect of this order, financed entirely by British government grants, was signed by SAIL International Ltd and BSC on February 1. The order was awarded with a tight delivery schedule, but BSC was able to ship the entire quantity well on time.

Included in the order were sophisticated specifications and sizes which required close coordination over steelmaking, rolling, inspection and delivery between various BSC works in the United Kingdom.

Indian Sales at German Stores

From May 10 to 25this year an exhibition-cum-sale of Indian goods was held at the Karstadt department stores in West Germany, simultaneouly in Cologne, Duesseldorf, Hamburg, Berlin, Munich and Wiesbaden. Karstadt representatives toured India, purchasing goods worth Rs 76.14 million for display and sale a the various Karstadt department stores in W. Germany The range of goods covered jewellery, leather goods, fabrics, scarves, nightwear, underwear, dresses, blouses, shirts, carpets, gift items and tea. In

MANUFACTURERS AND PACKERS !



Get yourself registered under the Standards of Weights & Measures (Packaged Commodities) Rules, 1977

Under Rule 35 of the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 — every individual, firm or company prepacking any commodity for sale, distribution or delivery is required to send an application to the Director, Legal Metrology (Directorate of Weights and Measures) alongwith the registration fee of Rs. 5 The fee is payable by a demand draft to the Pay and Accounts Officer, Department of Civil Supplies & Cooperation on Central Bank of India, Parliament Street, New Delhi.

The completed application together with the draft should be sent to the Director of Legal Metrology (Directorate of Weights and Measures), Shastri Bhavan, New Delhi.

Last Date : 30.6.78

APPLICATION FORM OF REGISTRATION UNDER RULE 35

1. Name of the applicant : _____
2. Complete Address _____
3. Location of the factories : _____
   i) _____
   ii) _____
   iii) _____
4. Name of the commodity or commodities prepacked by the applicant : _____

Date _____

Place _____ Signature

Issued by ;

Directorate of Weights & Measures, Department of Civil Supplies & Cooperation, Government of India, Shastri Bhavan, New Delhi-110001.

DAVP 78/91

this connection, five Indian experts in wood and ivory carving, brass engraving and papiermache painting visited the six mentioned Karstadt department stores, demonstrating Indian craftsmanship. Besides this, a seven-member fashion troupe modelled or displayed Indian textiles. Karstadt is the biggest department store in Europe, with an annual turnover of Rs 31.2 billion.

West German Economy

In 1977 West Germany had an inflation rate of just 3.9 per cent, that is the lowest rate amongst the western industrialised countries. Second ranks the USA with 6.5 per cent, followed by Japan with 8.1 per cent, France with 9.5 per cent, the UK with 15.8 per cent and Italy with 18.4 per cent. Also in terms of foreign exchange reserves, W. Germany was leading with an amount in stock being sufficient for 4.7 months' requirements; here the UK ranks second with four months, followed by Japan with 3.9 months, Italy with 3.3, France with 1.7 and the USA with 1.5. Japan had the highest economic growth with 5.1 per cent, followed by the USA with 4.6 per cent, France with 3 per cent, W. Germany with 2.4 per cent, Italy with 2 per cent and the UK with 0.5 per cent. Also regarding employment, Japan is leading with only 2 per cent job seekers (to total employment), followed by W. Germany with 4.5 per cent, France with 6.2 per cent, the UK with 6.3 per cent, the USA and Italy with 7 per cent each.

In 1977, West Germany imported goods worth US $1660 per head of its population and thus was leading amongst the western industrialised countries. France ranked second with $1340, followed by the UK with $1140, Italy with $830, the USA with $730 and Japan with $630. In absolute figures, not in terms of population, the USA is the main importing country in world trade, followed by West Germany.

Deposit Insurance Corporation

Commercial and cooperative bank deposits amounting to Rs 14,155 crores had been covered under the Deposit Insurance Scheme as at the end of September 1977, as against deposits of Rs 11,827 crores covered a year before, according to the annual report of the Deposit Insurance Corporation for the year ended December 1977. The insured deposits represented 71.1 per cent of the total assessable deposits of Rs 19,892 crores. The number of fully protected accounts stood at 840 lakhs (with balances not exceeding Rs 20,000) out of a total of 855 lakh accounts, against 718 lakhs out of a total of 730 lakh accounts last year. There were 975 insured banks (78 commercial banks, 48 regional rural banks and 849 cooperative banks) as at the end of December 1977, against 757 insured banks a year before.

Claims for Rs 4.62 lakhs were paid by the corporation during the year 1977. The total amount of claims paid or provided for in respect of 14 commercial banks and three cooperative banks as at the end of December1977 was Rs123.38 lakhs. The total income earned by the corporation during 1977 was higher at Rs 11.47 crores, against Rs 9.16 crores earned in the previous year, income from insurance premium including interest accounting for Rs 8.05 crores (against Rs 6.42 crores) and income from investments for Rs 3.42 crores against Rs 2.74 crores).

Names in the News

Mr S.T. Sachdev, director, traffic and transportation in the Railway Board, has been appointed general manager of Eastern Railway in place of **Mr R. Srinivasan** who takes over from **Mr G.H. Keshwani** as general manager of Northern Railway.

Mr K.S. Ramaswamy, general manager of Chittaranjan Loco Works, has been appointed general manager of Western Railway in place of **Mr M. G. Punnose** who retires on May 31.

Mr Brij Mohan Khanna and **Mr Kamal Kishore Vaid** were elected president and first vice-president of the Marathwada Chamber of Commerce, respectively for 1978.

Mr R. Sadagopan has been appointed chairman-cum-managing,director the Oriental Fire & General Insurance Co Ltd. Before this appointment Mr Sadagopan was the general manager of the United India Fire & General Insurance Co Ltd.

Mr Bharat Hari Singhania has been elected senior vice-president of the Indian Chamber of Commerce for 1978-79. Mr Singhania is a director of a number of companies of the J.K. group. He is ex-chairman of the Indian Jute Mills Association and the Indian Jute Industries Research Association.

Mr K. Eswaran, chairman and managing director of Easum Group of Industries, has been re-elected chairman of the All India Manufacturers' Organisation (Tamil Nadu State Board) for the year 1978.

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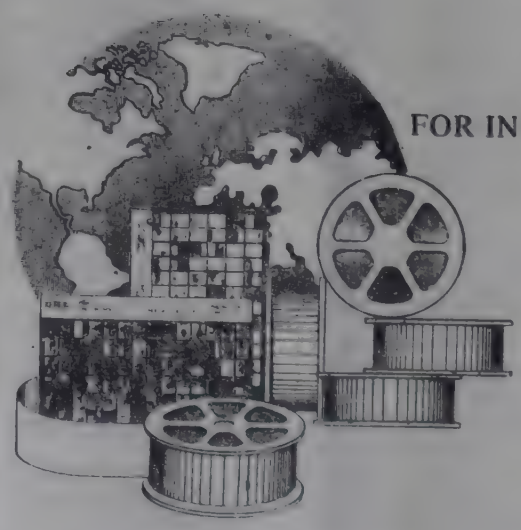

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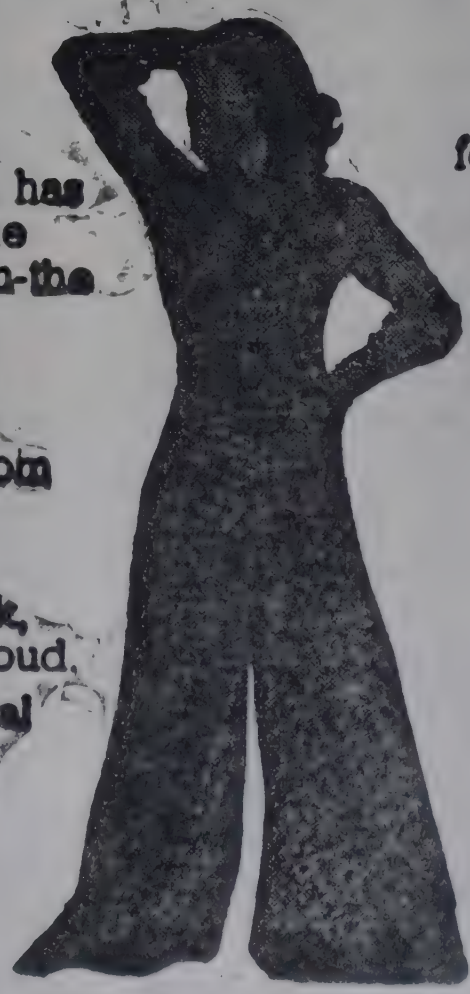
THE KING OF FIBRES



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And today, when we at Century Cottons look back, we have reason to feel proud.

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COMPANY AFFAIRS

Atul Prospects Good

ATUL PRODUCTS' sales during the current year are expected to be around Rs 53 crores and in 1979 around Rs 58 crores against the actual sales of Rs 50.74 crores in 1977. Its sales during the first four months of 1978 have been placed around Rs 19 crores. Mr Shrenik Lalbhai, chairman of Atul Products, has visualised good prospects for the company despite problems like the shortage of coal and certain raw materials.

The company proposes to participate in a joint venture dyestuff unit, Vanavil Dyes and Chemicals Ltd, floated by the Tamil Nadu Industrial Development Corporation (TNIDC). Atul Products will take up 25 per cent equity of the new company, TNIDC 26 per cent and the balance 49 per cent will be offered to the public. In view of the ideal location, the new company's outlook is good, according to Mr Lalbhai.

Coal Shortage

The chairman says that the company has been facing an acute shortage of coal. It has the facility of using furnace oil in place of coal but its use will be expensive as compared to coal. It has also been experiencing the shortage of naphthaline, one of its basic raw materials. The government has recently decided to import this raw material, but the position is unlikely to ease before October.

Under the new industrial policy, about 85 to 90 per cent dyes groups manufactured by the company such as azo dyes, basic dyes, indigo, naphthols or reactive dyes, have been reserved for the small-scale sector. The industry has made representation to the government that the organised industry be left to expand within these groups where complicated technology, economy of scale, R and D efforts and large investments are necessary.

The chairman has disclosed that the management is negotiating with the government for dilution of foreign equity in Cynamide India in which the company has a large stake. The pattern of shareholding in ATIC industries and Cibatual, other associate companies, is unlikely to be changed in the near future.

Jay Shree Tea's Bonus Offer

The board of directors of Jay Shree Tea and Industries Ltd has recommended a dividend of two rupees per equity share for the year ended March 31, 1978. The bonus includes a special payment of 40 paise per share.

The final accounts adopted by the board revealed a gross profit of Rs 7.46 crores against Rs 5.18 crores last year. The gross sales amounted to Rs 28.72 crores against Rs 22.56 crores. The tea crop was also higher.

The net profit is Rs 2.27 crores—Rs 71.32 lakhs higher as compared to last year. The tax provision is Rs 2.80 crores, slightly lower than last year because of higher depreciation and investment allowance provision.

The directors fear that the current year's performance may not be as good as that of 1977-78 as the favourable conditions in the tea markets prevailing last year no longer exist now.

Tata Finlay

Tata Finlay has recommended a bonus issue of one for three. This will involve the capitalisation of two crores rupees out of the free reserve of the company. In addition, it has recommended a final dividend of 15 per cent for 1977 against 10 per cent final claiming Rs 90 lakhs against Rs 60 lakhs in 1976. It has already paid an interim dividend of 15 per cent on the increased capital. In 1976 also the interim dividend was 15 per cent, but on the old capital. The total dividend works out to 30 per cent against 25 per cent in 1976. Total dividend outgo is Rs 10.60 crores against Rs 10.09 crores in 1976.

The company has produced good results for 1977 with the turnover jumping to Rs 80.55 crores from Rs 47.72 crores and the gross profit to Rs 20.85 crores from Rs 12.25 crores in 1976. The net profit has risen to Rs 5.63 crores from Rs 3.62 crores after depreciation (Rs 1.25 crores against Rs 1.04 crores), share issue expenses (Rs 23.32 lakhs against nil), taxation (Rs 12.97 crores against Rs 7.57 crores), investment development reserve (Rs 25.15 lakhs against nil) and adjustments on the minus side (Rs 51.25 lakhs against Rs 0.40 lakh). After the proposed dividend the general reserve is being credited with Rs 3.83 crores against Rs 2.53 crores in 1976.

Scindia Steam

In his annual statement to the shareholders of the Scindia Steam Navigation Company, the chairman, Mr Dharamsy M. Khatau, stated that the worldwide crisis in the shipping industry which set in at the end of 1974 still continues. The present recession, is unprecedented producing serious repercussions. The earning capacity and liquidity of the industry have been considerably affected. Fortunately Indian shipping industry, he says, is able to employ all its ships at a time when several ships had to be laid up in many maritime countries for want of employment.

The chairman says that the company's performance for the year ending on June 30, 1978 cannot be even as good as last year, when the company's gross profits slipped back to Rs 10.84 crores from Rs 13.01 crores for 1975-76.

The company has been able to fully employ its fleet despite the existing difficult conditions. Depression in trade and shipping being a passing phase, Mr Khatau says, it is imperative in the large interest of the company that it keeps its fleet in efficient condition and continues to modernise it. The company has four liner vessels on order with Hindustan Shipyard, and two more liners with a GDR shipyard. Ships acquired by the company in recent years are modern and equipped to carry containers and pellets.

Mr Khatau says that prices of ships built in India are higher than the prices of ships built abroad. Which puts the Indian shipping units at a disadvantage vis-a-vis units in

er countries. Shipbuilding ng an export-oriented indus-, it is necessary to exempt indigenous components d equipment from excise ty, says Mr Khatau.

esoram Industries

Kesoram Industries and tton Mills has reported proved working results for e year ended March 1978. e equity dividend has been ised from 10 per cent to 13 r cent. An application is ing made to the income tax thorities to determine the x-free dividend in the hands shareholders.

Gross profit is higher at s 472.99 lakhs against s 329.86 lakhs. After pro-ding Rs 171.39 lakhs Rs 130.14 lakhs) for depreciation Rs 135 lakhs (Rs 12 lakhs) or investment allowance and fter making some adjustments, e disposable surplus amounts Rs 214.60 lakhs (Rs 66.79 khs). Preference and equity ividends will absorb Rs 69.79 khs (Rs 56.29 lakhs). General eserve gets Rs 143 lakhs Rs 6.60 lakhs).

Escorts Sales Cross Rs 100 Crores

Sales of Escorts during the ear ended December 1977 ave scaled to a new high of Rs 106 crores against Rs 91 rores in 1976, the growth rate xceeding 16 per cent with roportionate increase in perating profits.

During the year under eference the company made an addition of Rs 8.89 crores o its fixed assets mainly at Bangalore expansion project, Patiala and Faridabad operations. This had provided the company with a broader base for the modernisation of manufacturing plants and substitution of old machines with latest equipment.

In his annual statement the chairman and managing director of the company, Mr H.P. Nanda, says that despite considerably higher provision of Rs 2.25 crores (Rs 1.26 crores) for depreciation and Rs 1.22 crores (Rs 87 lakhs) for interest arising mainly due to Bangalore expansion project and additional capital investment at Patiala and Faridabad, the pre-tax profit of Rs 8.02 crores was marginally lower than Rs 8.15 crores in 1976. Post-tax profit, however, was higher at Rs 3.97 lakhs against Rs 3.41 crores due to the claim of investment allowance resulting from high capital expenditure.

Despite increase in the cost of inputs, the company did not increase the prices of its products with a view to holding the price line. The company could do so without impairing its profit by improving efficiency at all levels of production and sales, thereby obtaining larger production and economies of scale, Mr Nanda claimed.

The complementary programme of manufacture of piston rings by Goetze (India), a subsidiary had already commenced delivery of groove

punjab national bank

HEAD OFFICE: 5, PARLIAMENT STREET, NEW DELHI

STATEMENT OF POSITION

31st December 1976	LIABILITIES	31st December 1977
2,00,00,000	Capital : Paid up	2,00,00,000
11,18,49,100	Reserve Fund	11,69,30,000
1171,92,93,377	Deposits and other Accounts	1410,55,70,036
112,10,06,332	Borrowings from Banks and Correspondents	65,51,69,456
9,18,98,647	Bills payable	17,20,49,566
54,51,64,833	Bills for collection	80,84,37,596
26,61,68,485	Other Liabilities	29,40,36,248
98,70,40,845	Acceptances for Customers	128,97,84,185

PROFIT & LOSS ACCOUNT

3,40,38,015	Profit for the year	3,40,50,136
1,02,00,000	Less : Transferred to Reserve Fund	68,50,000
90,00,000	Provision for Ex-gratia to staff	—NIL—
—NIL—	Transferred to Contingency A/c	2,05,00,000
76,00,000	Transferred to Other Reserves	—NIL—
72,38,015	Balance transferred to Central Government	67,00,136
1486,96,59,634		1747,06,77,223

ASSETS

112,72,69,039	Cash in hand and with banks	150,29,68,217
—NIL—	Money at Call and Short Notice	9,00,00,000
355,38,84,467	Investments in Government and Other Securities, Shares & Debentures etc.	442,18,84,271
823,47,69,280	Advances	876,80,89,352
54,51,64,833	Bills for Collection	80,84,37,596
98,70,40,845	Acceptances for customers	128,97,84,185
1,76,89,919	Premises	2,10,65,038
4,64,31,193	Furniture and Fixture	5,31,49,501
35,73,08,742	Other Assets	51,51,89,290
1,01,316	Non-Banking Assets	99,773
1486,96,59,634		1747,06,77,223

inserts. Goetze invested two crore rupees in its Bangalore project which is expected to produce highly sophisticated rings required for the company's special types and large size pistons by the end of 1978.

To finance a part of the project, Goetze has been permitted to raise capital amounting to Rs 4 crores including Rs 1.25 crores by public issue at 20 per cent premium. The offer of equity capital to public is expected to be made by next month. The Industrial Development Bank and other financial institutions have agreed to loan Rs 4.75 crores including the partial foreign exchange requirement and underwrite equity of Rs 90 lakhs. The balance Rs 35.3 lakhs of the new issue was being underwritten by leading stock brokers.

Anglo-French Textiles

Anglo-French Textiles Limited has skipped preference and equity dividends for the year ended December 31 last against 15 per cent equity dividend paid in the previous year. Though the turnover is higher at Rs 22.48 crores (against Rs 21.39 crores in the previous year) profit before interest and depreciation is less at Rs 66.32 lakhs (Rs 1.79 crores). Interest claims Rs 95.64 lakhs (Rs 79.70 lakhs) and depreciation Rs 56.31 lakhs (Rs 65.14 lakhs). After providing the previous year's expenses Rs 50.24 lakhs (Rs 8.36 lakhs) the loss for the year is Rs 1.36 crores (profit Rs 25.64 lakhs).

After adjustments the overall position is in a loss of Rs 1.29 crores (profit of Rs 16.22 lakhs last year).

Severe power restrictions and labour unrest are given as reasons by the directors for the heavy loss, incurred by the company which has skipped dividend for the first time since 1957.

UBI's Outstanding Performance

Union Bank of India has been selected for national award for certificate of merit for outstanding export performance in 1976-77. The bank has achieved all-round improvement in its operation in 1977. Revealing this, Mr B. L. Paranjape, chairman and managing director, said in Bombay recently that the bank's deposits increased during the year by Rs 161.83 crores (23.2 per cent to Rs 860.30 crores) while the net bank credit expanded by Rs 19.14 crores to Rs 523.30 crores.

The net profit (after making the usual and necessary provisions) was also higher at Rs 155.80 lakhs, against Rs 146.50 lakhs in 1976.

After appropriating Rs 55 lakhs (against Rs 56 lakhs) to statutory reserves and Rs 80 lakhs (against Rs 70 lakhs) to contingencies, the balance of Rs 20.8 lakhs (Rs 20.5 lakhs) has been transferred to the centre.

He said the bank's rural and semi-urban branches recorded a higher growth rate in deposits than the metropolitan and urban branches.

The bank's deposit ratio has come down to a reasonable level of 68 per cent by the end of 1977. Besides, the bank was able to achieve as early as in 1977, the government stipulation that credit to priority sectors should account for one-third of the total advances by March 1979.

Advances under DIR scheme to the weakest among weaker sections at the concessional interest rate of four per cent per annum amounted to Rs 5.20 crores at the end of 1977 and constituted 1.02 per cent of the bank's total advances, thus exceding the government stipulation in this regard of 0.5 per cent.

The bank's branches have adopted 843 villages and about 25,000 direct agricultural accounts are being served by them with an aggregate outstanding of Rs 6 crores.

Duncan Brothers

Duncan Brothers and Co Ltd has earned a profit of Rs 56.15 lakhs after providing depreciation and taxation for the year 1977 against Rs 57.43 lakhs in the previous year. A final dividend at the rate Rs 6 and a cash bonus of Rs 2 a share on ordinary shares have been declared. The final dividend and the cash bonus together with the interim dividend of Rs 6 a share already paid would make a total distribution of Rs 14 a share for the year. Allocations include Rs 2.50 lakhs for capital redemption reserve II, and Rs 25.65 lakhs for general reserve.

Tata Iron

Tata Iron and Steel Company has done well during the last quarter ended March 1978 against the quarter ended March 1977. The gross proceeds from the sale of steel materials, including freight and excise duty, have risen to Rs 95.64 crores from Rs 90.32 crores.

The production of saleable steel has improved to 4.27 lakh tonnes from 4.12 lakh tonnes. The sales rose to 4.86 lakh tonnes from 4.68 lakh tonnes.

Last quarter's performance is also exceedingly good compared to the preceding quarter ended December 1977 when the gross sale proceeds

For Attention of Employers

The last date for filling your ANNUAL RETURN of the salaries paid and the Tax deducted therefrom by you during the preceding Financial Year has been extended this year to 30th June, 1978.

Form No. 24 which is the prescribed Form for the ANNUAL RETURN has been revised vide Notification dated 31st March, 1978 of the Central Board of Direct Taxes.

FAILURE to furnish the ANNUAL RETURN in due time attracts penalty extending to Rs. 10 for every day of default.

REMEMBER TO FILE COMPLETE AND CORRECT ANNUAL RETURN IN THE REVISED FORM NO. 24 BY 30TH JUNE, 1978.

For forms or any other information/assistance, contact your assessing I.T.O. or the P.R.O.

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Directorate of Inspection

(Research, Statistics & Publications)

INCOME-TAX DEPARTMENT

NEW DELHI.

davp-78/81

ere Rs 79.98 crores while e production and sales stood 4.05 lakh tonnes and 4.13 kh tonnes respectively.

Sandvik Prospects

Sandvik Asia, which suffered a sharp setback in 1977, opes to improve its performnce in the coming years ollowing expansion of its ctivities. The company's hairman, Mr N. S Phatarhekar, told shareholders at he annual meeting recently hat "with the measures the company is implementing, the devidend in future may be more atrractive", barring any legislation limiting the declarations of dividends. The company has reduced its dividend to 12 per cent for 1977 rrom 20 per cent paid in 1976, following the sharp fall in its profits.

The chairman has attributed the fall in profits to the increase in the cost of raw materials and other manufacturing expenses. These substantial increases could not be off-set by any compensating price increases, he states.

Meanwhile, the company's working during the first four months of this year is good with sales showing an increase of about 19 per cent over those in the comparable period of 1977. The order intake during the first four months of this year has also shown a rise.

The company's expansion programme is proceeding steadily and on the total estimated outlay of Rs 2.85 crores, the company has incurred an expenditure of about Rs 1.20 crores by the end of March 1978. Most of the machinery for the expansion plan has been received and installed, and the programme is expected to be completed next year. Regarding the modernisation programme, the gama coating equipment has already been commissioned and the spray drier plant is expected to commence production in early 1979.

The company's recent rights issue of 16,500 shares of Rs 100 each at a premium of Rs 150 per share has been oversubscribed. After the allotment of shares to the Indian shareholders, the holding of Sandvik AB of Sweden will stand reduced to about 55 per cent of the company's total paid-up capital.

Dena Bank

Mr B. K. Vora, the chairman and managing director of Dena Bank, says that the bank's credit expansion during the year 1977 was on a low key. The net increase in total advances was only Rs 41 crores, from Rs 317 crores to Rs 358 crores, compared with an increase of Rs 68 crores in 1976. The decline was mainly due to the small increase in food procurement advances, which rose by only Rs 3 crores as against Rs 30 crores 1976. Of the total outstanding advances Rs 368 crores at the end of 1977, food procurement credit totalled Rs 59 crores. The bank, however, had recorded an impressive deposit growth during 1977 with total deposits rising by Rs 91 crores from Rs 421 crores in 1976 to Rs 512 crores by the end of 1977.

Mr Vora says there was a significant rise in the bank's advances to the priority sectors which rose by Rs 15 crores in 1977 to Rs 101 crores.

The number of borrowal accounts in these sectors rose by Rs 14,000. Farm advances rose by Rs 5 crores to Rs 25 crores. Advances to small industries increased by Rs 6 crores to Rs 54 crores. The bank's advances under the DRI scheme rose from Rs 54 lakhs in 1976 to Rs 81 lakhs in 1977. The bank planned to raise the DRI advances to Rs 180 lakhs in 1978.

During the year the bank adopted additional 97 villages taking the total number of villages adopted to 253.

The bank intensified its branch expansion programme and opened 71 more branches, bringing the total number of branches to 704. As of December, 1977 as many as 442 branches or 63 per cent of the bank's total notwork of branches were located in rural and semi-urban centres.

Tube Investments

Tube Investments of India Ltd has maintained1977 dividend at 10 per cent The entire dividend will be tax free having come out of the new industrial undertaking profi s of the company. The company accounts for 1977 show an improvement over 1976. The year's profit after depreciation and interest charges are Rs 126 lakhs (Rs 73 lakhs last year) from which is set aside a provision for tax, Rs 61 lakhs (Rs 26 lakhs) and investment allowance reserve Rs 9 lakhs (Rs 12.50 lakhs). After appropriating Rs 12.50 lakhs towards debenture redemption reserve and Rs 37.50 lakhs towards the proposed dividend at 10 per cent, the balance of profits of Rs 37.67 lakhs is being carried forward.

The company has submitted a scheme to Foreign Exchange Regulation Act authorities according to which the non-resident interest in the company's equity will be brought down to 40 per cent from the present 52.5 per cent in two stages. In the first stage, Tub Investment Ltd, UK, the nor resident shareholder will disi vest a part of their holdings t the Indian resident share holders around July 1978 Further reduction will b achieved by a fresh issue c equity capital at par in earl 1979.

The company's tube divisio has developed a prototype of bullock cart made out of tube and strips which has bette payload and other improve features over the convedtiona model. The prototypes ar being tested in the field an the company is hopeful o coming out with necessar package of tubes and section which could be fabricated b small scale units at the villag level. The company's bicycl unit (TI Cycles of India) ha made an operating loss thoug less than in the previous tw years. According to the direc tors this loss is due to the lo labour productivity.

Profit Registering Companies

One hundred and seventeen companies belonging to top 2 industrial houses (on the basi of registration under Sectio 26 of the MRTP Act as o December 31, 1977) have re gistered 60 per cent or more i the level of their pre-tax profit in 1975 as comppred to 1972.

The 20 industrial house with respective number of com panies in brackets are : AC (2), Ashok Leyland (2), Birl (13), Bird Heilgers (4), Chow gule (1), Dunlop (1), Escort (1), J.K. Singhania (12), Jame Finlay (6), Kasturbhai, Lal bhai (5), Khatau (Bombay (5), Kirloskar (7),Macneill an Magor (24), Rallis (3), Scindi (2), Simpson (12), TVS (4) Thapar (9), V. S. Dempo (1) and Walchand (3).

Bhoothalingam committee report

RECORDS AND STATISTICS

The study group on wages, incomes and prices appointed by the government of India, under the chairmanship for Mr S. Bhoothalingan in its report prescribes a national minimum wage of Rs 150 per month to be reached in stages and recommends that a start should be made by fixing a minimum daily wage rate of Rs 4. The committee also advocates ceiling on dividends as a permanent feature of income or fiscal policy. A summary of the report is given below :

Minimum Wages

THE REAL minimum wage can only be the absolute national minimum, irrespective of sectors, regions or states, below which no employment would be permitted.

In determining such a national minimum wage several considerations have to be kept in view. For instance, it has to be consistent with factors like (1) the per capita national income adjusted after applying the participation rate, (2) average national income per consumption unit, and (3) per capita rural consumption expenditure. It cannot also deviate too much from prevalent earnings in the small-scale sector. Above all, its impact must not be such as to inhibit generation of employment.

Taking all relevant considerations into account, the national minimum wage to be aimed at should be Rs 150 per month at current prices. Efforts should be made towards achieving this goal as soon as possible, at any rate within a period of about seven years. But immediately it may not be practicable to adopt this figure without seriously jeopardising employment and dislocating the tiny and small-scale sector. To begin with, therefore, we recommend that the national minimum wage below which no employment will be permitted be fixed at Rs 4 per day of eight hours unskilled work, inclusive of any part payment in kind where customary; or at a monthly rate of not less than Rs 100. The very announcement of this policy and its wide dissemination will itself have tonic effect and make workers conscious of their right.

We further recommend that the quantum of the national minimum wage should be revised every two years till the recommended level of Rs 150 per month (at 1978 prices) is reached; thereafter, it should be mandatory to revise the minimum wage every three years in relation to the trend increase in per capita national income.

The proposed minimum wage will be applicable throughout the country for unskilled work for every adult of 18 years or above, irrespective of sex. The present statutory minimum wages, wherever they are lower than the proposed national minimum, will be brought up to this level. It will not adversely affect any category of employees already in receipt of higher minimum wage. State governments will continue to have the freedom to fix higher minimum wages for any categories of employment under the Minimum Wages Act.

Employment with a reasonably stable employer-employee relationship is an essential condition for the application of the minimum wage. This will therefore not apply to work given out to be done in households, as there will then be no clear employer-employee relationship.

We consider that in respect of agricultural sector a desirable minimum rural household income would be a more meaningful concept because of the irregular and seasonal nature of employment and unstable and varied sources of income.

The Rural Sector

The minimum desirable rural household income to be aimed at should be such as to enable the bottom 30 per cent to come up roughly to the level of the next higher decile group. We suggest adoption of Rs 1800 per annum for the present for planning purposes. Policy measures should be directed towards creating conditions in which the households of those who work part time or sporadically as well as landless labourers and marginal farmers, are enabled to earn this minimum within a period of seven years.

The draft sixth Plan has suggested various measures for the eradication of poverty and unemployment in the rural sector which include redistribution of land surplus, implementation of tenancy reforms, organising the poor masses and creation of additional jobs mainly in the agriculture and allied sectors and in the small-scale and cottage industries.

It is necessary to support and accelerate the employment effects of the programmes contained in the draft Plan by several types of parallel action. Such action should reach the very poor viz., the landless labour or those with small bits of land and those without any worthwhile assets. Our policy should thus aim at; (a) improving the productivity and thereby increasing the return from small holdings; and (b) increasing the opportunities for work and ensuring that such work brings in better returns.

The first objective is likely to be served by the Plan programmes designed to improve the productivity of marginal farmers and making available the necessary inputs. In this connection the instrument of contractual guaranteed price can be deployed to induce a shift in the product mix of small and marginal farmers in favour of crops which are at once labour intensive and high value crops. This would call for: (a) effective provision of credit for those farmers essentially through cooperative banks and societies; (b) assured provision of foodgrain supplies at prices which may induce them to shift a part of

r holdings to high value
ps; and (c) assured arrange-
nts for purchase at
ranteed price so that
mers are protected against
uncertainties of marketing
price fluctuations.

The scheme may start with
few selected commodities
e potatoes, onions and dry
llies, and with an assurance
a price for those small and
rginal farmers who may be
lling to participate. Details
the scheme can be worked
t to keep leakage and abuse
the minimum. The price to
guaranteed may be an app-
ximation to the trend value
the price of the commodity
taking an average of
e postharvest prices in the
evious five years.

We recognise the role of
cal level institutions like
operatives, small farmers
velopment agencies, etc., in
e planning and operation of
ch schemes. The work of
llection, transportation,
orage and disposal could be
ne by all-India agencies like
e Food Corporation of India
NAFED. As experience is
ained and success achieved,
e range of commodities can
e enlarged over time.

As regards creation of em-
loyment opportunities, wider
pportunities for employment
ould come through the
mplementation of Plan pro-
rammes, but this would take
onsiderable time and their
conomic effects may not be
elt in the short run. There-
ore, these efforts need to be
trengthened by directing em-
loyment programmes to areas
here other developmental
ctivities are by themselves
ow insufficient. Such a
cheme of coordinated em-
loyment should satisfy the
ollowing conditions: (i) the
daily wage offered should be, for unskilled labour, not less than the national minimum at daily rates; (ii) those who offer their work should be required to work continuously at least for a week: (iii) they should be required to do whatever they are asked to do, although efforts should be made to give them the kind of work they know; (iv) when there is no work, or not enough work, they should still be paid, but to prevent abuse they should be required to remain in attendance; (v) after the week, the worker should be free to leave whenever he likes; (vi) administrative effort should be directed to the preparation and development of such schemes; (vii) every scheme should have provision for the required minimum of material inputs; and (viii) there should be no limitation of number on grounds of finance or lack of schemes.

While the orientation of the employment programme will be towards development work, non-seasonal jobs as well as jobs according to the needs of different locations may also be included. These may include spinning and weaving, poultry, milk and milk products, cattle breeding, etc.

We believe that if conditions such as we have indicated are incorporated in the scheme, there will be no uncontrolled flood of offers for employment.

High Incomes and Top Salaries

We have not proposed any freeze in wages. On the contrary, we believe that wages should gradually increase by obtaining an appropriate share in the growth of Gross National Product and productivity. Such a growth should take place in a smooth and orderly fashion and not as a result of continuing tension and trials of strength. This should therefore be planned for, and such planning would involve a certain measure of restraint. For such restraint to be generally accepted, we think it is necessary that those earning higher incomes should also be subjected to restraint.

One such restraint should be on the distribution of dividends. Obviously, the limitation should not be expressed in terms of a percentage of paid up share capital. The amount distributed as dividend should be limited to a percentage of equity capital and reserves which together represent the investment of the shareholder. This percentage may be fixed at two or three per cent below the rate of earning regarded as necessary to attract enough investment to secure the growth of the industry. Thus, if 12 per cent of capital and reserves is regarded as an appropriate return for the cement industry, the distribution as dividend should be limited to eight or nine per cent. This would incidentally strengthen the capacity of the industry to grow through the use of internal resources.

Salaries of government servants and those employed in the public sector are already subject to considerable restraint. The ratio between the post-tax salary income of the lowest and the highest in these sectors is now around 1:9. However, if perquisites of government servants were taken into account, this range might widen slightly. On the other hand, higher salaries and perquisites accrue generally to older persons with greater length of service. When comparisons are made between the more experienced persons in the lowest and the highest categories, it will be seen that the range is considerably narrowed. Thus, the differential is already a little narrower than what has been generally envisaged as the goal ten years hence. The question whether there should not be some upward revision of salaries in those ranges, in order to continue to attract persons of the requisite calibre to these posts, needs examination. We recommend that this problem may be referred to the National Pay Commission, the early appointment of which we recommend.

In the private sector, however, the differentials are wider mainly because, unlike the government sector, higher salaries have also been revised upwards from time to time following inflation. The differentials in after-tax emoluments vary from industry to industry, and sometimes go up to 1:16. Risks and uncertainties in entrepreneurial management being greater, and managerial talent of the requisite calibre being still relatively scarce, the differentials can be higher than in the government sector or the public sector. They still need to be narrowed. High salaries in the private sector are often supplemented by commissions and by tax free or near tax free benefits, which encourage and make possible affluent and even ostentatious ways of living. Further, generous retirement benefits reduce the need for current savings permitting thereby a higher level of consumption during service and after retirement. We think, therefore, the total value of perquisites must be fully taken into account in determining the appropriate level of compensation. These should not normally exceed 25

per cent of basic pay. Further, the method of valuation of perquisites for tax purposes should be uniform for all sectors. Normally, there should also be a limit to the total of salary and commission and this limit should apply not only to directors but others as well. In order to prevent disruption and emergence of new abuses, the limit should not represent too drastic a change, Taking current circumstances into account, we think that Rs 6000 per month for all new contracts would be a suitable limit for the next five years. Provision may have to be made for certain exceptional cases of high or rare skills such as oil exploration, haute cuisine, etc. Some special arrangements will have to be made for this.

We also consider that payment of commission as a mode of remuneration is an outdated concept and a hangover from the old managing agency system. It should, therefore, be phased out within the next three to five years. Simultaneously, a suitable system may be evolved for incentive payments for exceptional performance in the productive sector —both private and public— coupled with penalties for negative or unsuccessful performance.

We also think that individual fixation of salaries by government or other external authorities should be avoided because of the complex and varying situations in business and industry. In particular, differentials inter se among the higher paid employees of the private sector should be left to be settled through the normal process of negotiated contracts by the managements, subject only to the overall limits prescribed.

[illegible] trying to enforce a ceiling on incomes is by 100 per cent personal income-tax on the excess over the ceiling. However, recent experience has shown that this does not work. Agricultural incomes continue to be totally exempt from all personal taxation; many other incomes, though legally subject to tax, are not brought within the tax net. Moreover, the threat of a limit on incomes will be a disincentive to work and enterprise. In order to avoid this dilemma, at least in part, we recommend imposing a ceiling not on income but on the two main purposes for which incomes are sought, namely, consumption and private investment. This can be achieved by imposing a high penalty over a certain limit of total income from all sources including agriculture. An individual may be allowed to opt out of paying such a penalty by depositing the whole of the excess income with the government into a special account. This special account will bear interest at a rate to be determined by government from time to time. Government will have use of these funds, but they will remain the property of the individual and will pass on to his legal heirs after his death. The individual will also have the freedom to withdraw any desired amount at any time, but the amount so withdrawn would be added to that year's income and taxed. Provision may have to be made for withdrawing from the fund for certain approved purposes, such as investment in own business or other desired lines. But these can be worked out after some experience is gained.

An alternative to depositing the excess income with the government into a special account will be to have the income earners channelise the excess income into approved forms of saving which may be prescribed by government from time to time. Here again, whenever such savings are withdrawn, they would be treated as part of the taxable income of that year.

The advantage of such a scheme is that it would not erode the incentive for work and enterprise to the same degree as personal taxation. It will also solve the difficult problem of high incomes which are fluctuating or are of limited duration.

The alternative is to have a ceiling on incomes and impose penal marginal tax rates without any facility for deduction of savings. As both these can be regarded as dysfunctional in terms of their adverse impact on incentives and savings, it would be better to give the option to high income earners to accept much steeper tax rates than those prevailing at present or escape them by stepping up their savings and reducing current consumption. The resultant savings must however be channelised into approved forms which may aid public investment eventually.

One of our members Mr. Arvind Buch feels that while the measures recommended may assist to a limited extent in dealing with the question of wide disparities between the lowest and the highest income, these do not go far enough. He has, therefore, suggested several additional measures which are given in para 5.41 0f the report.

Wages in the Organised Sector

The determination of homogeneous national wage structure is very difficult. We are not beginning with a clean slate and the burden of histor is with us. Disparities, an malies and irrationalities exi and have come to be regarde as 'rights'. Further, there no reasonable method of deter mining what should be th absolute level of wage for eac category of workers and wha is a right differential betwee one category of workers an another.

Even if a national wag structure is determined, whic is doubtful, or the historicall determined structure accepted which is improbable, severa adjustments in wages or earn ings are required from time t time. These are, for instance:

(a) A periodic increment i earnings which is merely rela ted to time, and which has be come part of our culture so t say.

(b) Some protection of ear nings changes in the value of money.

(c) A correction for changes in the productivity of workers which may take various shapes.

(d) A correction in the relative wages of one set of workers, with certain degree of skill and certain onerousness of work, relative to the much higher wage of another set of similar workers with the same degree of skill and onerousness of work.

(e) A correction in the relative wage of one set of workers with certain degrees of skill and onerousness of work, relative to a much higher wage of another set of dissimilar workers with different dgree of skill and onerousness of work.

(f) A set of corrections to reduce the disparities across industries/sectors and within industries/sectors.

We have tried to provide appropriate guidelines and

inciples, (a) to get such cor-ctions and adjustments with-the framework of collective rgaining, (b) to reduce dis-rities and (c) to raise gradu-ly the areas of unduly dep-ssed wages. We only suggest em as the first steps.

Wage disparities exist bet-een the central and state gove-ments and among the state overnments themselves. Stan-ardisation is not practicable, ut some harmonisation is nec-ssary in respect of certain com-on categories. The minimum age determined by the Third ay Commission may be com-ended to states for adoption ithin about five years. Model cales for certain common cate-ories (identified by the Sixth inance Commission) may be orked out by a National Pay ommission which should be ppointed soon in consultation ith states.

The problem of quasi-government and municipal mployees is more complex nd should be left to the states hemselves to tackle.

Wage disparities exist in ublic sector undertakings is-a-vis government depart-mental undertakings engaged on similar work and among ublic sector enterprises them-selves. The suggestion for standardised pay scales for similar public sector and departmental undertakings has much merit. But it may not be found practicable as it impin-ges on the process of collective bergaining. We therefore re-commend the appointment of a Pay Committee to go into the emoluments and service conditions of government in-dustrial employees after com-paring them in all respects with corresponding employees in the public and private sectors.

In the organised private sector, a standardised pay structure is not practicable in our conditions. There is no practicable method except the process of collective bargaining to determine wages and relati-vities in this sector from time to time. But to prevent future distortions and work towards the long-term objective of rationalisation, collective bar-gaining should be subject to certain broad guidelines. Some of the suggested parameters, which will equally apply to the public sector, can be as follows :

(1) The spread between the highest and the lowest wages in a unit should normally be 4-5 times the lowest wage;

(2) Similar payment for broadly similar categories of workers in leading industries in the same region;

(3) Scarce skills will merit higher differentials, but non-wage benefits should be taken into account when determining differentials;

(4) In future wage settle-ments, units having relatively low wages should be enabled to come up faster than those already in receipt of wages far above the majority of enter-prises.

We have recommended a universally applicable system of dearness allowance which would compensate for increa-ses in cost of living of the basic minimum needs for con-sumption. This element, there-fore, should have ordinarily no influence in wage revisions in the future which should be essentially linked to increases in productivity. In sectors where the measurement of productivity is difficult or impossible, such as govern-ment services, the increases in national productivity should be taken into account. Where productivity in a sector is less difficult to measure, as in most of the industrial sector, wage increases should be governed by the overall rate of growth in productivity disaggregated by suitable groups of industries, on the basis of homogeneity or otherwise, to be recommen-ded by the proposed Bureau of Incomes and Prices. This guideline, being an average for the industry as a whole, cannot be applied rigidly but some flexibility has to be provided by the permissible rate being between the mean deviation limits above and below the average rate of productivity growth.

The guideline will apply to the increase in the total wage bill of a unit. However, increases already accrued due to the existence of incremental scales since the last settlement will have to be taken into account. The spread of bene-fits among various groups and levels, and adjustment of wage scales, etc., will be determined entirely by collective bargain-ing. All wage agreements will have effect from a prospective date in future.

In order that existing dis-parities are not perpetuated or further widened, there has to be a further guideline for "high-wage islands" allowing for a lower rate of growth than elsewhere in the industry. This may mean that, in some cases revised wage scales may become necessary, excesses be-ing treated as personal pay for existing employees.

Overtime payment should be carefully adjusted to needs and should not be allowed to become systematic.

All wage settlements through collective bargaining will be operative for 4-5 years. Similarly, pay commission/ committees for pay revisions of government employees should be appointed every five years or so.

A permanent non-statutory body called the "Bureau of Incomes and Prices" may be set up to undertake continuous review of relevant data and to determine each year the guide-lines for the Industry or for groups of Industries, within which collective bargaining will operate. Its recommend-ed guidelines, on acceptance by government, will regulate all wage settlements, as well as wage boards awards, etc. There will also be a higher policy-making council consis-ing of 30-40 members repre-senting concerned interests including trade unions, emplo-yers and state governments.

If individual units or indus-tries, whether in public or pri-vate sector, are unable to reach wage settlements within the norms laid down by the bureau, the matter should be referred to an independent appellate body whose award would be legally binding.

One of our members Mr Arvind Buch has made several further suggestions which have been reproduced in para 6.44 of the report.

Darneses Allowance

The existing dearness allow-ance arrangements vary consi-derably with reference to the linkage base, mechanism of linkage, degree of linkage, periodicity of revision and the degree of neutralisation both inter-sectorally as well as intra-sectorally. This heterogeneity has resulted in distortions, anomalies and narrowing of differentials in all sectors. In certain sectors this has been aggravated by linking dearness allowance to wages. There is, therefore, need for a single national corrective formula to compensate for the rise in cost

of the essential consumption basket.

It would be appropriate to link future dearness allowance increases to cost of living on a uniform basis. In the absence of better alternative, the index to be used may continue to be All-India Average Consumer Price Index for Industrial Workers, which is widely used. Since there is considerable divergence in the use of Consumer Price Index itself, the latest available series should be used. With this proviso, therefore, there would be no objection to the use of the all-India or a regional index. The switch-over to the latest series could be made at the next wage revision. In cases where the Index for Urban Non-manual Employees is in use, it may continue to be used for regulating dearness allowance unless the employees and the employers decide by mutual agreement to switch over to the All India Conumer Price Index for Industrial Workers.

The periodicity of dearness allowance revision should be on a quarterly basis for all sectors with reference to the average of the preceding quarter.

The two main systems of dearness allowance at present in use are based on either a wage-linked slab system or a value per Index point system. The "per point" system is preferred being more logical, simple, with ease of universal understanding and application. It has also the merit of delinking dearness allowance from wages. It has an in-built progressive edge and does not unduly effect existing relativities in wage structure. We recommend adoption of the per point formula uniformly for future revisions, the value per point being around Rs. 1.30. This is already prevalent in abont two-third of the public sector enterprises as also in cement and steel industries.

The per point formula with varying point values is also in use in a number of other industries like cotton textiles, jute, engineering (West Bengal) and sugar, which may continue till the next wage revision. This formula would ensure full neutralisation at the lower levels. Since DA under this system is not related to salary, it will be admissible to all irrespective of salary drawn. In no case will there be a reduction in the dearness allowance at present being drawn.

Bonus

Logically, bonus related to profit, of the kind which has prevailed in India for a long time now, is suitable only in industries producing for the market in reasonably competitive conditions. It is not suitable in the case of organised activities, industrial or other, where the profit motive does not operate at all or where the profits are induced, influenced or otherwise affected by public policy and largely used for the community welfare. Thus, it is unsuitable in government services and similar activities, including the Railways, Posts and Telegraphs, and public utilities, financial and other institutions.

On this reasoning, it would not be desirable to extend the system of bonus related to profit to new areas. Further, where the bonus system prevails in unsuitable areas, it should be phased out, if necessary by replacing it with other payments related to more suitable measures of performance.

In Railways, Posts and Telegraphs, and ordnance factories, etc. fairly large numbers are engaged in activities closely similar to those in industry in the private and public sectors. They are better off in some ways and worse off in others. If, after a comparative study of their emoluments and non-wage benefits, it is found that the real wages are clearly out of line with similar workers in the private and public sectors, corrections must be made through an appropriate revision of the structure and rates of remuneration, and/or suitable incentive payments. We have recommended the appointment of a Pay Committee to undertake this study.

Even in the industrial sector, both private and public, bonus related to the profits of individual undertakings tends to perpetuate and accentuate disparities in the earning of workers who do the same work or put in the same effort. It tends to create tensions between workers themselves, between government and workers, between managements and workers and even between managements. In the long run, it would be desirable to replace it by a system which would enable labour to get a fair share of the benefits of productivity without causing such distortions. Meanwhile, it has to be recognised that the bonus system has become a part of the industrtal way of life in India. It will not be practicable to give it up untill the economy reaches a higher level of productivity and well-being. Until it is replaced by general agreement, we recommend the continuance of the existing system.

Government of India may initiate talks with trade unions and managements paying bonus under the Payments of Bonus Act to replace it b long-term benefits like retir ment pensions to all the cat gories of employees and som scheme of unemployment reli to those who have once bee employed and who hav become temporarily unemplo yed due to closures of firm and factories, mines and plan tations, etc. Under this schem low-paid workers may also be exempted from payment o subscriptions under the Emplo yees' State Insurance Act Wherever bonus is not paic such benefits may also b extended provided nationa consensus of converting bonu into the above-mentioned long term social security measures is arrived at through tripartite dialogue.

It would also be desirable at that stage, to provide that a portion of the allocable surplus in high profit industries should be diverted to financing schemes for rural employment recommended elsewhere in this report.

We also recommend that discussions for a gradual change-over towards the new system may be initiated early. There are several choices available and further thought and discussion may indicate even better methods. One such choice is outlined in the report. Further consideration of this may be the first step in the process of change.

Prices

The main thrust of our economic policy has necessarily to be anti-inflationary and towards naintenance of reasonable price stability. Price policy has also to be integrated with policies relating to incomes and wages and thus stabilisation of the cost of living has to be one of its basic objectives. Price stability does not however mean a

icy of price freeze. On an erage wholesale prices y move upto 213 per cent annum and within this the ative prices may also go up down. Such a movement is rranted by the need to rect investment, production d distribution patterns on sired lines.

The Agricultural Price Policy ould lend support to the forts to increase overall agri-ltural production and to duce changes in the cropping attern in accordance with anges in the composition f demand, besides ensuring at the rise in prices asso-iated with periodic shortages oes not push basic necessities ut of the reach of common an. In order to benefit the mall and marginal farmer, ncouragement should be given for the production of se-ected cash crops with a labour ntensive bias. Other measures uggested are multiple points of procurement in order to minimise the role of middle-men and simplifying bureau-cratic organisation and proce-dures. The village level orga-nisation will have to be re-organised to ensure that the benefit of concessional inputs passes to the small and mar-ginal farmers and not to the richer ones. Efforts may also be made to reduce the costs of procurement, storage, trans-portation and distribution of foodgrains.

We are recommending a wide network of public dis-tribution system covering the essential goods. Such a scheme should be strengthened by maintenance of adequate buffer stocks and proper distribution, planning and imports when-ever necessary. For the dis-tribution of mass consumption goods generally a variety of outlets should be organised and encouraged. These should include consumer cooperative societies, fair price chain stores under the auspices of public authorities and the use, where suitable, of existing outlets such as petrol stations, post offices, licensed self-employed vendors, etc. The benefit of subsidising the items covered by the distribution system should largely flow to the lower income groups. In this connection, an indepth study should be undertaken of the incidence of indirect taxes on the prices of essential goods and the inputs that go into their production.

As regards intermediate and capital goods, price controls and the system of administer-ed pricing will work only in respect of a few homogeneous products like steel and cement machinery, plant and equip-ment and their components often vary in their specifica-tions, quality, etc., and direct control over pricing may be difficult to administer. Thus the answer lies in increasing the competitiveness of the capital and intermediate goods and using the import mechanism to augment supply and ensuring that the domes-tic prices are not permitted to exceed international prices except by a modest percentage The protection provided to indigenous industries should be reviewed periodically and import duties whereever neces-sary may be reduced in a phased manner.

Other strategies that may be suggested are: (i) The system of dual pricing could be operated selectively in the case of commodities afflicted with chronic or recurring shortages. In a longer term context, where the production of the commodities concerned is subject to sharp fluctuations, the successful working of the system pre-supposes a stocking policy on the part of the gov-ernment as an accompaniment of the public distribution system.

(ii) In view of the comfor-table foreign exchange situa-tion and in order to increase competitiveness in the manu-facturing sector, we suggest a uniform import duty of about 20 per cent, particularly on capital goods and interme-diates in short supply. Beyond this limit, a specific justifica-tion may be required. The policy of banning the export of essential consumer goods has merit during the period of severe shortages.

(iii) There is a need to re-view the system of price con-trols and subsidies. While the newly set up Dagly committee would review the present arrangements, the conditions call for setting up of a per-manent machinery to examine and monitor the behaviour of

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1. DPS/RRC/FAB/222 Due on 30-6-78: Preparation of shop drawings, fabrication, assembly, shop testing, packing and delivery at Purchaser's site, Kalpakkam, Tamil Nadu of horizontal type, cylindrical, Active Liquid Waste Storage TANKS with dished ends, made of S.S. 304L along with mechanical stirrer and other accessories as per purchaser's drawings and specification. 4 Nos.

2. DPS/BARC/ENG/10927 due on 23.6.78: Fabrication, Assembly, inspection, testing and supply of profilometer as per drawings and tender specifications. Qty : 2 Nos.

3. DPS/PPED/PPF: 1094 due on 26.6.78: Supply of Stainless Steel Diaphragm Valves in different sizes as per purchasers' tender specifications. Qty: 227 Nos.

4. DPS/NAPP/PPED/CAP/41 due on 28.6.78: Design, manufacture, assembly, testing and delivery of High Pressure air compressor with capacity of 52 M^3/Hr at pressure of 60 kg/cm^2 complete with motor and accessories as per purchaser's specification. 1 No.

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prices and to suggest suitable changes in the prices of agricultural products as well as raw materials and manufactured items on a continuing basis.

(iv) Steps should be taken to encourage and foster the consumer movement. Although other interests are often represented in bodies concerned with pricing and distribution, consumer interests have not been adequately represented. We recommend that this lacuna should be expeditiously filled in by giving adequate representation to consumer interests in the appropriate bodies.

Miscellaneous

The need for social security benefits in all sectors as an adjunct of an income policy must be recognised. A long term objective would be to work towards extending the pension system to all wage and salary earners. For this funds could be drawn from contributions paid by the employers and employees in suitable proportions.

There is equal need for devising some social security measures on a contributory basis for the self-employed sector which forms about 62 per cent of the working population. These will include artisans, small shopkeepers and even marginal farmers.

Old age pension has been introduced in certain states, but the rates and the criteria for eligibility differ. A suitable model should be evolved and accepted in principle for adoption all over the country in due course.

Pensioners are particularly vulnerable to increases in the cost of living. In our view, the minimum pension of wage and salary earners should in no case be less than the national minimum wage as proposed earlier.

The level of pensions of the middle and lower level government servants is low. It these cannot be raised, at least the pensioners should be paid dearness allowance on the same basis as serving employees. In addition, schemes like the Army Group Insurance Scheme may be introduced to enable the pensioners to augment their post-retirement incomes.

Similarly, the extra departmental employees in the P&T department would need to be protected against price rise to the same extent as others working for government.

Housing inadequacy in India has both quantitative and qualitative dimensions. Quantitatively the acute backlog in housing is on the increase from year to year as the rate of construction has not kept pace with the growth of population. At present, employees have to pay exorbitant rents even for small tenements, particularly in large cities. The problem really is one of national shortage of housing. It has been estimated that an investment of Rs 2790 crores per year will be required for the next 20 years to make up the shortage.

In the context of incomes policy, a major area of concern is housing in view of the considerable cost involved to the employee. In this regard, we suggest that a beginning be made by formulating expanded ownership housing schemes, increased public financing for such schemes, facilities for transfer and mortgage of houses and suitable tax incentives to encourage individuals to invest in housing. A scheme may also be worked out for allotment of houses constructed by government and semi-government bodies to members of Provident Funds against their long-term accumulations.

Implementation

Many of our suggestions and recommendations can be implemented by executive orders while others require legislative action or institutional mechanisms.

The practice in other countries which have tried to implement incomes-prices policy has not been uniform. In our democratic set-up, implementation has to be a combination of voluntary acceptance through consensus and statutory backing.

We, therefore, recommend a process of consultation and discussion leading to a broad consensus for the main outlines of the policy. This would entail consultations with trade unions, employers' representatives, state governments and consumer interests as well as representatives of groups like small farmers, workers in the non-organised sector and the self-employed. We expect that such in teraction will in due course create the necessary environment for mutual adjustments and constructive cooperation.

By way of illustrations, we have indicated the more important policy measures for which legislative changes may be required. The particular laws effected by our recommendations and the nature of changes required will have to be examined in detail by legal experts.

As the main instrument for implementation of policies, we envisage a permanent non-statutory body designated as the Bureau of Incomes and Prices, composed of senior economists and experts in labour, management, etc. The bureau may function under the ministry of Finance with a fair degree of autonomy. would recommend guideli which, on acceptance by g ernment, will regulate all w settlements. It will also co dinate collection of data a undertake continuous mo toring of price trends. T detailed functions to be entr ted to the proposed bureau h been mentioned in the repo

The bureau will be guid by a coordinating int ministerial group of secre ries. The broad policy go to be followed would be f mulated by a higher poli making council of 30— members giving wide-bas representations to concern interests including trade u ions, employers, state gover ments, agriculture and co sumers.

An independent appella body with all-India jurisd tion may also be set up to de with cases where there failure of collective bargai ing to reach settlements wit in the bureau's guidelines.

We have also recommend the appointment of: (a) National Pay Commission f harmonising the pay structu of the central and state go ernments; (b) a Pay Comm tee to examine the pay stru ture of industrial employees the Railways, P&T, Defen Production, and other depa mental undertakings; and a Pension Commission to lo into the problems of pension and evolve a suitable pensi policy for all sectors of em loyment.

We have indicated seve areas in which for want time we have been unable undertake detailed examin tion. In all these cases, furth studies will be necessary work out detailed schemes a their financial and other i plications before policy de sions can be taken.

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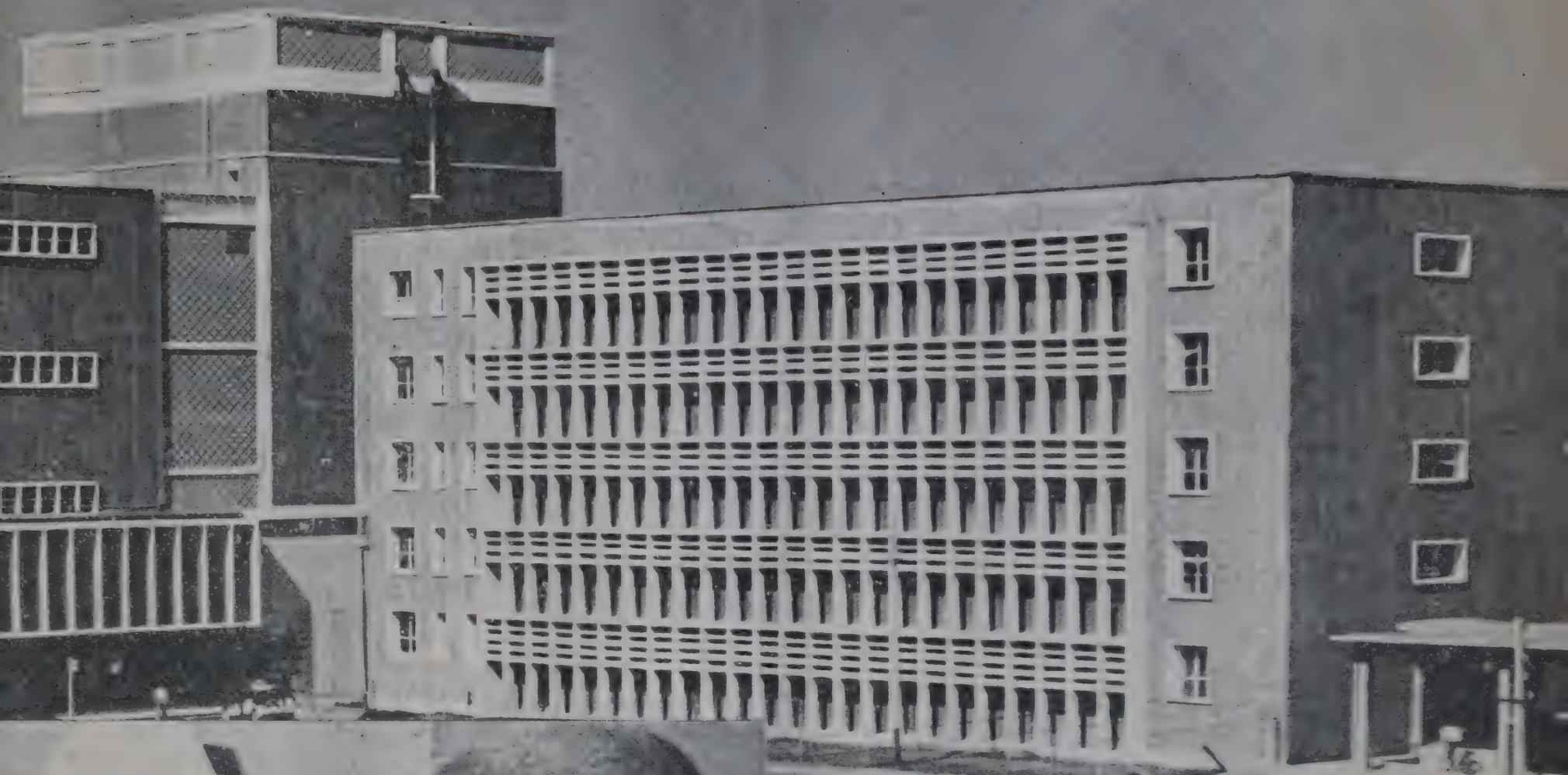

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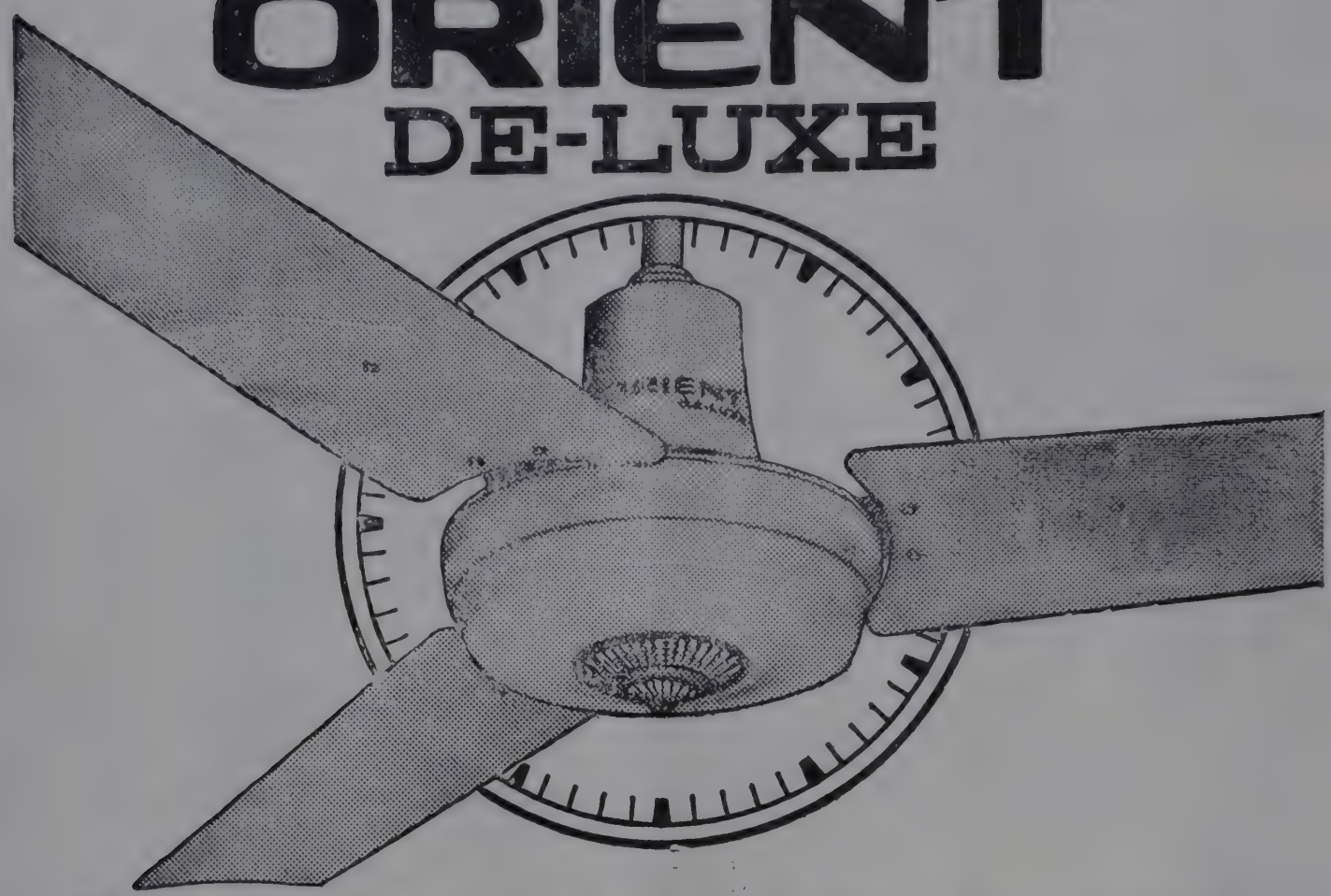

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Has the iron entered his soul?

WE ARE indeed happy that the Home minister's convalescence is being speeded up also by assistance other than medical. Mr Ram Naresh Yadav has been confirmed as chief minister of Uttar Pradesh, but more than this, there is the good news that the production of steel has fallen thanks to the acute shortage of both power and coal. The SAIL is therefore finalising contracts for the import of one million tonnes of coal this year. Simultaneously, it is also planning to import 1.2 million tonnes of steel in the current year to make up for the shortfall in the domestic output. A long-term programme envisages an average annual import of one million tonnes of steel for the next five years. At this rate, Mr Charan Singh's frequently articulated dream of an India which would be importing most of the products of heavy or large-scale industry and paying for these imports by exporting foodgrains and other farm commodities will at least be fulfilled in one of its two parts.

There is, of course, also a surplus of wheat stocks in the country and the Food Corporation of India is reportedly embarassed by these riches. Unfortunately while many steel producing countries may only be too glad to sell this material to India, there are not many wheat importing countries which are queueing for what we may have to sell of this commodity. But then, why should we worry? After all the country has some foreign exchange and by the time it is exhausted, it is just possible that this country may have established export markets for a whole range of produce from its fields, starting with the major cereals and ending perhaps with medicinal herbs from the sub-Himalayan hills and valleys.

Seriously, it is high time that the Janata leaders had realised that they would be doing their countrymen a great favour if they only stopped playing factional politics with the country's industrial future. Mr Charan Singh will find that he is being taken less and less seriously if he continues to campaign in an irresponsible manner against the broad-based industrialization of this country. Nobody disputes the importance of promoting small-scale industry or even cottage industry at their respective levels of appropriate technology in manufacturing or marketing. It is no longer necessary to argue fiercely that, in many areas of production, small-scale industry could be competitive in its employment of scarce resources and socially desirable in its utilization of the more abundant resources, particularly manpower. But, unless one were to shut ones eyes stubbornly to realities, one cannot fail to see that India cannot and should not dispense with large-scale industrialization since this mode of industrialization is also essential to the steady improvement of the standard of living of our people through the optimal utilization of the nation's material and human facilities or opportunities.

Mr Charan Singh, of course, enjoys an unfair advantage in the debate since he refuses to spell out what precisely his opposition to large-scale industry or even heavy industry is. Does he advocate the dismantling of such of these industries as are already in existence or does he suggest that they should be starved to death by being denied expansion, modernization or even mere maintenance? He has been told again and again that there are numerous and essential links of interdependence between agriculture and industry and, within industry, between the small-scale sector and the large-scale sector. There is of course the real issue of coordination of the complementary developments of all these areas of the economy and a great many countries, including the United States and the Soviet Union, have tried to deal with this problem in the light of their varying requirements or social or economic objectives. India too must make a similar attempt, but this attempt will succeed only if it is free from obscurantism and uninfluenced by unreason. Right now the government's import policy is moving towards exposing Indian industries to international competition, while its export policy is emphasizing progress in export earnings through the export of goods with a high content of value added by manufacture. In more strictly

domestic terms, again, our major industries, including some of the essential consumer goods industries, have large needs of renewal of machinery or installation of new manufacturing facilities. In these circumstances, it will be a betrayal of the country's interest if political pressure from any quarter were to succeed in discouraging further investment in the large-scale industrial sector, including the heavy industry sector.

Recently, Mr Nana Deshmukh visited some countries in east Asia viz, South Korea, Japan, Hong Kong, Thailand and Singapore. He speaks enthusiastically of the prosperity of the South Korean people and writes:

"The government has pragmatically and intelligently gauged what the Korean people want and how to go about getting it. There is no mistaking that what they want is the good life—a home, a car, a refrigerator, TV, cooking ranges, Hi-Fi music, good clothes, the whole works. The government tells them that this is all eminently possible and that they should have all this and more in quality and at competitive prices."

farmer affluence

About the industry-linked affluence of the Japanese farmers, Mr Deshmukh has this to say:

"The Japanese industry, through advertising and other methods, has created an yearning in all their farmers for the good things of life normally associated with city people. And the farmers now realise that these things could be bought only if they make their farms produce more and more."

Summing up his experience of the tour, Mr Deshmukh reports :

"In all the countries I visited, there appeared to be well-thought-out, attainable economic goals with which most people seemed fully acquainted. People seemed to be aware even of the interim progress made. As evidence of progress made, there were bourgeoning trade figures, more prosperity, more money in the pay packets, new buildings, new roads, new gardens, new technologies, new products and even higher goals. In these countries there was such precise coordination of all economic activity that to me it seemed as if a supreme commander was surveying the scene and issuing orders and an army was carrying out these orders!"

Proceeding, Mr Deshmukh observes:

"The governments in these countries seem to have made a conscious effort to create in people a desire for the comforts of life. Nowhere I heard any slogans for sacrificing this or sacrificing that. If there were any slogans at all, then they were extolling people to do this, to enjoy that, to acquire this, to go on a holiday."

Mr Deshmukh concludes:

"Lastly, there is no sin attached to wealth or to making money wherever I went. In Korea, Japan and Singapore companies are quite heavily taxed. But the taxes are considered reasonable in terms of the services, amenities environment the government provi The taxes collected are put to effec use and the citizen has many opportu ties to see and experience for himself h the tax collected is really working him, for his community and for country. . . . Enjoyment of life, joys, its adventures, its challenges, achievements seemed to be a religion the peoples of the countries I visited."

In the Janata party, the former Ja Sangh and the former BLD leaders rumoured to be political bed-fello We suggest that Mr Charan Singh a Mr Nana Deshmukh exchange so pillow talk on the economic affairs a problems of our country.

Jail for exporters?

THE COMMERCE minister, Mr Mohan Dharia, has disclosed that the government of India is considering a proposal to impose rigorous imprisonment on exporters who ship sub-standard goods. Inaugurating the annual general meeting of the All-India Manufacturers Organisation (Tamil Nadu) in Madras recently, Mr Dharia said that his ministry had forwarded to the Law ministry a suggestion to the effect that exporters of sub-standard goods should be made liable to suffer imprisonment upto three years and that a bill for this purpose was likely to be introduced in parliament in the next session. He remarked that such exporters brought a bad name to the country and to the business community and therefore the government had to think in terms of drastic and deterrent punishment to prevent offences of this type.

Mr Dharia is, of course, justified in expressing concern at the indifferent quality of Indian goods and in stressing the need for improving our image in foreign countries. His statement seems to give the impression that complaints against the quality of Indian goods have increased in recent months. Is this really so? Has the Commerce ministry compiled the statistics regarding the number of such complaints over a period of years? What precisely is the nature of these co plaints and from which countries ha they come? The ministry should ca fully examine these and other releva issues before thinking of imprisoni exporters of sub-standard goods.

We should remember that the gover ment has been enforcing quality contr measures on the export of a wide range goods for the past several years. Und the Export (Quality Control and Inspe tion) Act of 1963 several measures hav been taken to ensure that our goods co form to certain specifications. The Expo Inspection Council has been functioni since January 1, 1964 and it is suppo ed to control all activities relating to co pulsory quality control and pre-shipme inspection of export goods. This counc has its main offices in Calcutta and Del and regional offices in Bombay an Cochin. There are also nearly 50 sub offices situated at important centres processing and export. Besides, severa agencies in the private sector have als been authorised to carry out pre-shipme inspection. How is it that, in spite of a these arrangements, we continue to ge more complaints about quality? It shoul be realised, however, that the value o our exports is of the order of Rs 5,00 crores per year and, therefore, even wit

best efforts, it will not be possible to inate complaints altogether. But, ly, it should be a cause for concern if number of complaints, instead of inishing, is increasing and they are o of a serious nature.

t is relevant to recall that the Export licy Resolution, adopted by parliament 1970, had said that the government ould rigidly enforce measures to control ality. The resolution had observed: As the quality of production for export eds special attention government will rengthen, expand and intensify its olicy of compulsory quality control and re-shipment inspection. The provisions f the Quality Control and Pre-shipment nspection Act will be rigorously enforced. The Export Inspection Council of India which is assisted in the implementation of compulsory quality control and pre-shipment inspection by the Indian Standards Institution and by the Directorate of Marketing and Inspection, will endeavour to improve the efficiencies of its services so as to reinforce the confidence of overseas importers in the authenticity of its certificates of quality." Mr Dharia should enquire to what extent these provisions of the Export Policy Resolution have been implemented and why, in spite of them, his ministry continues to receive complaints about the quality of Indian goods.

quality control

At present, the Compulsory Quality Control and Pre-shipment Inspection Scheme covers nearly 800 commodities, including fish and fishery products, edible nuts, spices and condiments, tobacco, essential oils, fruits and vegetables, chemicals and allied products, engineering goods, textiles and footwear and its components. For most of these items, export promotion councils have been functioning for the past several years and some of them are indeed well organised. But it seems that they have not been able to make much of an impact in ensuring the proper quality of their products. It is significant to note that complaints have been made against the quality of Indian cotton textiles even by some of the largest importers of Japan and some of them are reported to have lost interest in buying from our country. Indian ready-made garments are said to have disappointed Japanese importers because of their bad stitching and cutting and irregular matching. Japanese businessmen are also reported to have expressed dissatisfaction with the quality of Indian cashewnuts, spices, coffee and several other products.

While, on the one hand, foreign buyers have complained about the laxity of our quality control measures, on the other hand, Indian industries have voiced their grievance that they have lost export orders because of the rigid adherence to certain standards. For example, sometime ago, the jute industry said that Argentina had ceased to import our jute goods because the government of India did not permit the export of some varieties on the ground that they did not comply with the prescribed specifications. Argentina wanted to import some cheap type of jute goods and since New Delhi did not permit their export, that country got them from Bangladesh. The Indian jute industry has said that the government has been enforcing the specifications of the Indian Standards Institution in such a manner as to increase the cost of our goods to overseas buyers.

Mr Mohan Dharia, therefore, should not assume that his ministry can improve the quality of our goods merely by providing for rigorous imprisonment to our erring exporters. The problem has to be tackled from various angles to which the ministry should give careful consideration.

Foreign collaborations

THE GOVERNMENT has drawn up a comprehensive list of industries in which foreign collaborations are not to be "normally" permitted. The list mentions a host of industries under 31 broad heads which include engineering, chemicals, dyestuffs, drugs and pharmaceuticals, paper and pulp, food processing and vegetable oils and vanaspati, consumer goods, leather and rubber goods, cement and ceramics products, agricultural implements, timber products, etc. This list is intendted to serve as a guide for the Indian as well as foreign entrepreneurs in exploring the area for arranging collaborations. Hitherto, this objective was sought to be attained by indicating the industries in which foreign collaborations were allowed and also simultaneously making available data about the existing capacities which could suggest the scope for additions to capacity.

The new approach, developed presumably on the plea of foreign investors, undoubtedly marks an improvement on the practice followed hitherto as investors will now have a clear idea about the collaborations that can be cleared. Another important step which is proposed to be taken as a follow-up to the drawing up of the above list is the delegation of powers to the administrative ministries so that they themselves can clear the proposals for foreign collaborations subject to the broad guidelines to be laid down. These guidelines are expected to be finalised soon. It has been clarified, however, that the proposals envisaging equity participation by foreign collaborators will continue to be cleared by the Foreign Investment Board as hitherto and that the provisions of the Foreign Exchange Regulation Act will have to be adhered to strictly.

It is heartening to note that some flexibility has been provided for by the government even in regard to the items barred to manufacture with assistance from foreign collaborators. The production of items figuring in the list which will not be "normally" permitted for foreign collaborations implies that assistance from abroad may have to be considered sometimes in view of new technological advances as well as in cases of possible shortfalls in domestic production calling for the expeditious augmentation of capacity. It is only proper that where capacities have to be augmented, they should be expanded on the most modern lines in the interest of containing production costs.

A significant point to be noted about the list is that its restrictive impact may

not be as formidable as feared in view of the competence already developed by our entrepreneurs in manufacturing a vast variety of items. A sizeable number of items included in it have already been reserved for manufacture in the small-scale sector. It would have been futile to attract foreign collaborations for their production. To mention only a few, these items include agricultural implements and machinery (manual and animal drawn), bicycles and parts, building bricks and roof tiles, ordinary castings and cast iron, conduit pipes, railway points and crossings, winding wires and strips, hand tools, steel files, crown corks, bolts and nuts, and several chemicals. The list also contains a fairly large number of sophisticated products. But in several such lines we already have a good deal of unutilised capacity with the result that further additions to capacity obviously will not be required for several years. Such items include domestic air-conditioning equipment, domestic refrigerators, etc. Our own research and development efforts, which are gaining momentum, too required curbs on foreign collaborations.

need for streamlining

The foreign exchange situation, which can be expected to continue to be comfortable for quite some time, has also warranted the streamlining of foreign collaboration requirements and modes for the simple reason that it is no longer necessary to have foreign collaborations for getting new projects cleared. That was one of the major reasons for the spate of foreign collaborations till a few years ago as foreign-collaborated projects then stood a better chance of getting cleared. In the initial stages, equity participation by foreigners was also favoured with the same end in view; it augmented the scarce foreign exchange resources. In the more recent years, this preference has, by and large, yielded place to technical collaborations. In 1974, for instance, as many as 359 ventures were accorded approval to be set up with external assistance. Of these, only 35 involved financial paticipation to the tune of Rs 6.71 crores. Earlier, financial participation used to be in a much larger number of cases. In 1975, the total number of collaborations approved declined to 279. Of these, 40 involved financial participation from abroad to the extent of Rs 3.28 crores.

The total number of collaborations approved in 1976 was 281. Thirtynine of these cases provided for financial participation of the order of about Rs 7.26 crores. In the first three quarters of 1977, 156 cases of collaboration were approved. They contained 21 cases of foreign investment, the quantum of foreign investment being a couple of crores of rupees.

Some further decline in foreign collaborations may be expected in the future. But this will not be merely the result of the new approach, which only facilitates matters for the Indian as well as foreign entrepreneurs. A possible decline is otherwise built into the new orientation given to the industrial policy. The ambitious programme for the development of small, cottage and village industries apparently is not dependent on foreign collaborations. The development of the large-scale industry, both in the public and the private sectors, during the current Plan period has to be largely supplemental to the requirements of the decentralised industrial sector and agricultural and rural development. The emphasis in the large-scale sector is to be on completing mostly the on-going projects and augmenting of capacity in the lines where shortages can be expected to arise after optimum utilisation of the installed capacities.

No change is envisaged in the broad approach to foreign investments and collaborations. They are welcome in areas of sophisticated technology and export oriented units within the overall industrial policy. Foreign technology has to be adapted to the Indian conditions through research and development effort. In areas where foreign technological know how is not needed, existing collaboration will not be renewed and foreign companies operating in such fields will have to modify their character and activities in confirmity with the national priorities within the framework of the Foreign Exchange Regulation Act. Complete freedom is being ensured in the case of all approved foreign collaborations for remittance of profits, royalties, dividends as well as repatriation of capital, subject to the rules and regulations common to all. As a rule, majority interest in ownership and effective control is meant to be in Indian hands. Exceptions are made only in highly export-oriented and/or sophisticated technology areas. In export-oriented cases, government gives consideration even to fully-owned foreign ventures. Outright purchases of foreign technology are preferred to the extent possible in fields where only technology imports are needed.

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Haldia—a growth centre without growth

ALTHOUGH THE central government had informed West Bengal last year that Haldia would have only a ship repairing yard and not a shipyard, Mr Jyoti Basu, the chief minister, had expressed the hope that New Delhi would reconsider its decision. The state government had reiterated its view that a ship repairing yard could be no substitute for a shipyard and that Haldia's claim for the latter was clearly and convincingly justified both on technical and economic grounds. Business organisations in West Bengal had also strongly and unanimously urged the government of India to set up a shipyard in Haldia in view of its enormous employment potential, the availability of abundant skilled labour and the existence of a well developed engineering industry in the state. But from the statement of Mr Chand Ram, the minister of state for Shipping, in Lok Sabha on March 15, it is certain that Haldia will have only a ship repairing yard. He told Mr Jyotirmoy Bosu that though the one-man Baveja committee had reported in favour of locating a shipyard in Haldia the government of India found that, on the basis of techno-economic surveys conducted by foreign consultants, Orissa and Gujarat were better suited for this project. The minister said that the global tenders had been invited by April 15, for constructing the shipbuilding yards at Paradeep and Hajira and that thereafter a final decision would be taken.

The rejection of Haldia's claim for a shipyard has naturally caused deep disappointment in West Bengal. The decision is regarded by many as one more instance of the central government's discrimination against the state. Mr Jyotirmoy Bosu expressed this feeling in Lok Sabha when he said that the group of foreign consultants was constituted only with the motive of scuttling the establishment of the shipyard in Haldia. Mr Chand Ram's disclosure that the preliminary project report from the foreign consultants had been obtained before the Janata government took over is unlikely to carry much conviction in West Bengal. The minister added that a ship repairing yard would provide more employment to the people than the ship-building yard.

But has the ministry of Shipping made a study of the employment potential of the ship repairing yard vis-a-vis the ship building yard? The West Bengal government also has not made any analysis of this aspect. However, the general impression of the state government and the industrial associations is that the shipyard will definitely generate more employment, direct and indirect, on a regular and remunerative basis than a ship repairing yard. The rate of annual growth of employment in West Bengal was 1.94 per cent against the all-India rate of 2.94 per cent. The share of West Bengal in the all-India employment in the organised sector steadily declined from 13.09 per cent in March 1971 to 12.46 per cent in March 1976. In this background, it was hoped that the location of a shipyard in Haldia would create vast opportunities for new employment, besides helping to revive the engineering and other industries which were hit by prolonged recessionary conditions.

Though the rejection of Haldia's claim for a ship building yard is a matter for regret for West Bengal, the state can derive much benefit from a ship repairing yard, provided it is set up expeditiously and the central government sees to it that it gets a regular flow of orders. Moreover, if a shipyard comes up in Paradeep, it will have a favourable impact on the economy of West Bengal since the latter's industries can supply to it various components and materials. Mr Jyoti Basu's government had said in its industrial policy statement that "the industrial development in any eastern state will, by and large, also contribute to the well-being of West Bengal's economy." It is obvious therefore that West Bengal will also stand to gain from the ship building yard proposed at Paradeep.

Apart from the ship repairing yard, there are other large projects which are contemplated in Haldia. One of them is the petro-chemical complex. The West Bengal Industrial Development Corporation has secured letters of intent from the government for the manufacture of ethylene oxide, ethylene glycol, diethylene glycol, polyvinyl chloride, high density polythelene ethylene, propylene, pyrolysis gasoline, butadiene and benzene. The investment in these projects is estimated at Rs 160 crores. There is also the integrated fertiliser, soda ash and methanol project at Haldia in the central sector with an investment of Rs 223.04 crores. Both the central government and the government of West Bengal should take effective steps for the expeditious implementation of all these projects.

petro-chemical complex

Last year Mr H.N. Bahuguna assured the state government that his ministry would immediately give its approval to a petro-chemical project. But it is not clear at what stage it stands at present and how soon it is likely to be completed. Meanwhile, investors from Japan, Britain and West Germany are reported to have shown some interest in collaborating with this project. But in view of the suspicion and distrust that the state government shows towards foreign firms and the large houses, it seems doubtful if the project can find enthusiastic collaborators either from within the country or abroad.

The shortage of power, water and other infrastructure facilities in Haldia has also been a major impediment. Though Haldia was identified as a growth centre many years ago, there has been hardly any growth mainly because of these constraints. The government of West Bengal therefore should give high priority to the development of infrastructure, especially power. The havoc caused by the scarcity of power in the Calcutta area has received much publicity but it is not well known that its impact in the districts has been more severe, with load-shedding in some places lasting as long as 10 to 18 hours! Clearly, the crying need of West Bengal is for more power rather than for more powers.

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VO IMPORTANT modifications have been ade in the policy regarding gold auc-ons. The first is that the sale of gold tained by a dealer through auction by e Reserve Bank to another dealer has en banned. A few days ago, the bid-ers had been asked to carry the allot-ent of the gold received by them against eir bids to the places of their opera-ion, instead of selling it in Bombay it-elf at a premium in view of the high uling prices. The ban on the sale of gold by a dealer to another, now imposed, is to provide a legal sanction to the above earlier order.

The second modification effected is that for the next (fourth) auction, which is to be held on June 14, the Reserve Bank will be entertaining bids also from the cooperative societies of goldsmiths which are licensed to deal in gold. Hitherto, bids were invited only from the authorised dealers.

the modifications

Under the first modification, while the sale of gold by one dealer to another has been banned, the dealers have been allowed to transfer at one time the gold received by them against their bids to certified goldsmiths in quantities not exceeding 100 gms for the purpose of making ornaments. They themselves can also use gold for this purpose as well as for manufacturing other articles.

The two modifications have been made with a view to ensuring that gold sold by the government through the Reserve Bank auctions reaches goldsmiths and the actual consumers at a reasonable price.

Although the results of the third auction, announced last week-end, are significant inasmuch as the spread between the lowest and the highest bids accepted has narrowed down considerably, reflecting the feeling among trade circles that with the end of the recent marriage season, the market price of gold will stabilise at lower levels, an important point to be noted is that the reserve price continues to be maintained at the level of the second auction, i.e. Rs 630 per 10 grams of standard gold.

first auction

The results of the first auction suggested that the reserve price had been fixed at Rs 620. It presumably was raised for the second auction to Rs 630. The bids accepted in this auction ranged in price from Rs 630 and Rs 673. The spread between the quotations in the first auction was from Rs 620 to Rs 663. In the third auction, it has narrowed down to Rs 631 to Rs 655.

It remains to be seen whether the reserve price will be lowered for the fourth auction which is to be held on June 14, as not only the recent marriage season has come to a close but also the demand for gold by peasantry, following the sale of rabi crops, would subside in the near future. If this is not done, it can be expected that the quantitative sales at the next auction will go down further. Whereas in the first auction, only 492.6 kgs of gold were sold, the sale in the second auction amounted to as much as 1,498.7 kgs. The third auction has resulted in the sale of only 1,204.4 kgs. The sales effected so far, thus aggregate to 3,195.7 kgs.

The lower sales at the third auction have again imparted a hardening tendency to the price of gold, which had come down significantly before this auction. If the sales are restricted further in the fourth auction by keeping the reserve price high, the stock in the market apparently will remain very limited. This, indeed, will be a bullish factor unless supplies get augmented by smuggled gold, even though the demand henceforth will be at a low ebb. The current price of gold, indeed, is sufficiently higher than the international price. Smuggling cannot be stopped as long as the spread between the international price and the domestic price continues to be around the current magnitude. In fact, some arrivals of smuggled gold have been reported a few days ago.

no statutory control

The government does not appear to be in favour of introducing a statutory price control on gold, as indicated by the minister of state for Finance, Mr Satish Agarwal, a few days ago, for it considers that it may not be possible to implement such a measure. Some other modifications in the gold policy, however, are not ruled out, as indicated by Mr Agarwal. He had observed that advances by banks against gold beyond a specified limit might be stopped and gold might be sold directly to goldsmiths to benefit the consumers, eliminating the intermediate dealers. Government gold might also be made available for sale at centres other than Bombay. Another important step that might be taken is reduction in the limit under the Gold Control Act for possession of gold from 2 kgs to one kg by individuals and from 4 kgs to 2 kgs by families. It is also envisaged to intensify intelligence to ensure that gold sold by the government does not pass into the hands of black marketeers.

Incidentally, the scheme for making available gold at the international price against exports of jewellery is yet to be finalised. It is also said to be acting as a bullish factor in the market. Energetic action in this connection is urgently called for.

* *

Addressing the annual general meeting of Punjab, Haryana and Delhi Chamber of Commerce and Industry last week, the minister for Industry, Mr George Fernandes, made a significant offer to all

sections of industry with a view to mitigating the rigours of power shortage. He offered that incentives could be provided to all industries for setting up captive power plants, as had been done in the case of the cement industry.

Referring to his pronouncements in the recent past about the breaking of the hold of some families on industrial enterprises he clarified that his primary aim in making these pronouncements was to initiate a debate on the issue so that a satisfactory solution could be found out. He desired that a dialogue should start at three levels in this connection—between the government and the group of 20 large houses, between the government and the small industry and between the government and professional managers of both large and small undertakings. He felt that following his and the Steel minister, Mr Biju Patnaik's observations in this regard at the last annual general meeting of the Federation of Indian Chambers of Commerce and Industry, a virtual tirade had been launched by the large business houses against him and the above proposal. This was not warranted. He opined that the feeling that his observations would affect the morale in industry was reroneous.

* *

Coal India Limited (CIL) is envisaged to be restructured soon. Under the reorganisation plan, it is proposed to provide greater authority to its subsidiaries in so far as production is concerned, leaving policy matters and long-term planning and issues to be handled by CIL.

A central marketing division has been created under the holding company to look after the marketing of coal which hitherto was being done by the subsidiary companies under the reorganisation effected a couple of years ago. The different subsidiaries were playing the lead role in the regions earmarked for them and were catering for the requirements of the consumers in their stipulated areas. With the creation of the new division, marketing of coal has been centralised. The production units, having been divested of this responsibility, will now be required to pay greater attention to production and quality of coal.

The regional and branch offices of the subsidiary companies, which were engaged in looking after the marketing of coal, are being taken over by the new marketing division. It is proposed to reorganise the marketing system by establishing new or strengthening the existing branch offices particularly in the major consuming areas. Some of the existing offices will be closed down. The booking of orders for the sale of coal would henceforth be catered for by the new division. The consumers, thus, will be required to deal only with one agency, instead of different subsidiaries in case they derived their requirements from more than one subsidiary company. The marketing division is expected to draw up a new rationalised distribution policy.

major departure

A major departure that is being effected in the marketing system is that the suppliers will no longer be responsible for delivering coal to consumers at destinations. Arrangements for the coal movement from the pitheads will have to be made by the consumers themselves after receipt of allocations from any branch of the new division. This has been done evidently in view of the deterioration in the availability of railway wagons which has led to a significant increase in the movement of coal by road during the recent months.

As a sequel to the movement of coal by rail becoming difficult and also owing to the recent strike at the Singareni coalfields (which has necessitated large supplies being arranged from east India to the southern states), the government is understood to have decided to revive the subsidy scheme for coal despatches by sea.

* *

The difficult situation which arose last year on the pulses front, owing to inadequate production leading to spurt in the prices of almost all pulses, may ease to some extent this year. The output of gram, reports suggest, has gone up significantly during the recent rabi season as a result of the support price for it being raised to Rs 125 per quintal. The Agriculture secretary, Mr G.V.K. Rao, has recently addressed a letter to the c secretaries of Uttar Pradesh, Punjab Haryana suggesting to them that th state governments should make concer efforts at increasing the production arhar during the coming Kherif seas It has been recommended that the of short-duration high-yielding variet of arhar, which can be harvested bef the next wheat crop should be encour ed. Farmers should also be prevai upon to divert some area under irriga maize to the growing of short-durati varieties of arhar. They should be a to do this as arhar cultivation yield better return than growing of maize.

The strategy to boost the producti of various other pules is also being pu sued vigorously. Most of these pulses a grown in the Kharif season. The strate includes extending the acreage under c tivation of pulses through inter-croppin large-scale application of phosphatic f tilisers, adoption of need-based pla protection measures, rhizodial cultur cultivation of moong and urad in ri fallows, etc.

short-run strategy

The above strategy has been design for the short run to expeditiously rai the output of pulses. Concerted actio has also been initiated to strengthen r search and development programmes f evolving new high-yielding varieties.

It is expected that as a sequel to th above efforts, the output of pulses, whic had gone down from 13.04 million tonn in 1975-76 to around 11 million tonn last year, will be raised again to aroun 13 million tonnes, if not more. Th should help in stabilising their price Imports of pulses this year again are no ruled out though they can be effecte only to a limited extent as was done la year.

The government proposes to keep close watch over the prices of pulses a the time of marketing. It will ensure re munerative prices to the growers. Th NAFED may be asked to step in to pur chase pulses in case prices tend to g down to unreasonably low levels in th immediate post-harvest rush market ing.

Cash planning in sugar industry

K. S. Sastry

Cash planning is not being done scientifically in our sugar industry. The author, who is an assistant director in the National Productivity Council at Madras, recommends the method through which it can be done in the interest of both liquidity and profitability of an organisation.

QUIDITY' TAKEN AS 'the ability to pay debts, whenever they become due' is necessary condition for the smooth running of any organisation. But, 'too much quidity' gives rise to the 'loss of profitability' and *vice versa*. This is the reason why, some of the most profitable concerns find difficulty in the availability of cash and *vice versa*. So, these two, quidity and profitability, must be balanced in such a way that the organisation retains its liquidity and at the same time maximises its profitability. What is needed to strike such a balance is 'cash planning'.

Cash planning which is known as cash budgeting is not being done scientifically, though its existence dates back to some decades. The National Productivity Council of India (NPC) had recently conducted a diagnostic survey in the sugar industry with an objective to assess its problems and prospects. It has been observed that hardly 30 per cent of the firms do cash planning on some reasonably scientific lines and nearly 50 per cent of the firms never give importance to such planning. The remaining 20 per cent of the firms do have a so-called cash budget but not based on any principles.

basic requirement

Basically what is needed for a cash plan would be the different inputs and outputs, their respective quantities and prices. In a sugar firm the inputs and outputs are sugarcane, chemicals, wages, establishment and administration, maintenance, packaging, fuel and power etc., and sugar, molasses, presscake etc, respectively.

In a sugar mill except the establishment and administration every other variable, either input or output, is dependent upon the sugarcane availability. So the quantity of sugarcane available for crushing during the coming season must be estimated first. This estimation cannot be accurate since this variable is dependent upon some other sub-variables like the land under sugarcane cultivation in the area, the yield per acre, the irrigation facilities, the rate of diversion to khandsari and gur manufacturing, etc. It is to be particularly noted here that though each mill has got a register of cane cultivators, who are supposed to supply cane to the mill according to the agreement, in practice the estimation on this basis does not hold good for several other reasons such as price of sugarcane

POINT OF VIEW

offered by the mill vis-a-vis by the khandsari and gur manufacturers, the pest control problem, the irrigation problem, etc. So, to have a realistic estimation of this crucial variable, an overall understanding of the situation is needed. Even then, since it is a question of foreseeing the future, it is better to use the variable budgeting system.

Once this is done, the estimation of chemicals power and fuel required can be easily estimated. Further the quantity of cane that is available for crushing decides the duration of the season. Depending on this are seasonal maintenance and seasonal workers. So these also can be estimated easily. Of course, for seasonal maintenance, techniques like productive maintenance or breakdown maintenance can also be applied. But PERT chart is a must for offseasonal maintenance, from which the estimation of needed inventory comes.

As for outputs, as was stated earlier, in a sugar mill the major output is sugar produced. This variable is dependent not only on the cane availability but also on the recovery percentage. Cane availability was discussed under inputs.

queer practice

Now, this sugar recovery is based on the seed variety, the milling efficiency, the boiling efficiency and so on. The sugar mill at best can manage the internal operations like milling and boiling, but not the seed variety unless the mill gives certain incentives to the cultivators to go in for high recovery-low yield seeds. Here it is to be noted that the practice in our sugar industry is to pay according to the weight of the cane and thus the cultivators tend to go in for high yield-low recovery seeds rather than *vice versa*. Though hand refractometer, small mill test, etc. help us in assessing the recovery percentage, it is advisable to follow the variable budgeting technique for this variable also.

The estimation of molasses and presscake is dependent upon certain percentage of sugar quantity produced and thus becomes an easy task once the sugar production is estimated.

So far we have discussed the quantity part of both inputs and outputs. But our sugar industry, being a government controlled industry, faces the problem of price estimation. Major variables, viz. sugarcane and sugar produced, have this problem in common. The only course of action available to meet this situation is to follow the variable budgeting system, of course, based on the past experience and intuition of the planners.

To explain 'variable budgeting': Suppose by hand refractometer method and/or small mill test method, we come to know that the recovery is around 10 per

cent. But, naturally, we are not sure of it. In that case, instead of taking 10 per cent as a landmark, we consider maybe 9.3, 9.4, 9.5, 9.6, 9.7 as probable recovery percentages. (Please note that in a sugar mill even 0.1% difference in recovery will make the entire calculation useless.) In the same way the cane availability may be 2, 2.25; 2.5; 2.75 lakh tonnes. Now we have 5×5= combination. Thus we have 25 cash f estimates.

Capital intensity in public sector undertakings

N. Palanisami

In view of the shift in emphasis in favour of labour intensive industry, the author, who is an assistant director in the Rural Electrification Corporation, tries to measure the impact of capital intensity on return in public undertakings and concludes that an appropriate capital labour ratio which could maximise the return is required to be evolved by scientific appraisal of specific projects.

THE PUBLIC sector undertakings which are directly under the control of the centre have grown from a mere five in number with an investment of Rs 29 crores at the beginning of the first five-year Plan to a formidable figure of 145 with an investment exceeding Rs 11,000 crores in 1976-77. Save a few enterprises, all are supposed to be capital intensive. All are prone to vicissitudes of profit and loss; a considerable number of them are making profits, and others are taxing the exchequer in varying degrees. The overall rate of return they generate year after year is encouraging—the net return before tax had increased to Rs 476 crores in 1976-77 from Rs 83 crores in 1972-73. In view of the shift in emphasis, of late, in favour of labour intensity, it would be interesting to know the impact of capital intensity on return in public undertakings.

An analysis was made by employing the 'correlation technique' to assess the nature of relationship between capital intensity and net percentage return obtaining in public enterprises over the last five years. Capital intensity for the purpose of analysis was defined as the ratio of the value of capital to the value of labour. In notation,

$$x = \frac{c}{l}$$

where 'x' is the capital intensity, 'c' is the value of capital and 'l' is the value of labour.

Paid up capital and long term loans of public undertakings in a particular year constituted 'c'. Salaries and wages disbursed by them during that year constituted 'l'. The following table gives the year-wise capital intensity and the net percentage return before tax for 145 public enterprises.

Year	Capital intensity	Net percentage return (before tax)
1972-73	10.3	1.5
1973-74	8.3	2.4
1974-75	6.9	4.3
1975-76	6.6	3.4
1976-77	7.9	4.3

Source: 'c', 'l' and net profit before tax were taken from *Eastern Economist*, March 1978, page 448. Capital intensity and net percentage return before tax are author's calculations.

It is seen from the table that capital intensity in public undertakings was on a descending trend and the net percentage return on an ascending trend. The correlation coefficient between the two was found to be —0.8. This high negative correlation implies the inverse relationship between the two variables—a decrease in capital intensity would effect an increase in the net percentage return and *vice versa*.

This may be statistically true as far as the figures are concerned. But one should not always go by the face value of the correlation coefficient. The reason for the decreasing capital intensity is of equal importance. Capital intensity is a function of 'c' and 'l'. Over the last five years the increase in 'l' outpaced the increase in 'c'. To be specific, public undertakings registered an increase of 260 per cent in 'l' and of 199 per cent in 'c' in 1976 compared to 1972-73.

Another interesting phenomenon obtaining in public enterprises was t the increase in 'l' was also speedier th the increase in the employment gene tion; while 'l' increased by 260 per ce employment generated in absolute ter increased by 169 per cent in 1976- Hence the decrease in capital intens was due to an over-riding increase in t value of labour in relation to capital a understandably, the value of labo increased more due to the enhancement salaries and wages of the employees public sector undertakings than due increase in employment.

net return

Had the employment generati increased in proportion to the value capital and labour, the net return perha could have been more than what it w actually in view of the likely turn-ov effected by the additional labour for absorbed by the enterprises. Since capit intensity and net percentage return a inversely related to each other, unpropo tional increase in the former would resu in the apparent decrease in the latte That contingency, on any account, shou not be allowed to occur. What is ther fore needed is a balanced increase in a the three factors—the value of capita the value of labour and the employme generation. In other words, an appr priate capital-labour ratio which til neither towards capital intensity n towards labour intensity and which cou maximise the return is required to b evolved by scientific appraisal of speci projects to be undertaken in the publ sector enterprises. Once such a balance ratio begins to operate in the publ sector undertakings, they would, n doubt, function more efficiently than the do now.

East-west role in aid to developing world

These two notes were received in the office of Eastern Economist *as "background material". Together they offer a debate on the respective roles of western development assistance and the corresponding performance of the Soviet bloc. The reader may expect to be amused as well as instructed.*

THE RESULTS of the ministerial meeting in Geneva in March 1978 of the Trade and Development Board of UNCTAD, which discussed the indebtedness of developing countries, have been described by the Sri Lanka board chairman as "a significant breakthrough in the North-South dialogue". The developed countries undertook to adjust the financial terms of their past aid to poor countries, and guidelines have been set out for handling developing countries' debt problems.

The total public indebtedness of the developing countries has increased sharply since the oil price rises of 1973-74, and is now estimated at over $200,000 million. The developed countries have been taking steps to alleviate this burden, and during the past year Canada, Sweden and Switzerland have all written off the aid debts of the poorest countries.

Total net Official Development Assistance (ODA) from members of the Development Assistance Committee (DAC)* in 1976 was nearly $13,700 million. The overall flow of resources, including private grants and investment, from DAC members amounted to over $40,500 million (*Development Cooperation; Efforts and Policies of the Members of the DAC; 1977 Review*, Organisation for Economic Cooperation and Development—OECD—Paris). Ten member countries increased their aid in dollar terms, five of them as a share of Gross National Product (GNP).

No firm figures are yet available for 1977, but western aid to the developing world is likely to be at least as high as in 1976. A number of recent declarations and initiatives point to further progress in coming years. The industrial countries participating in the ministerial conference on International Economic Cooperation (CIEC) in Paris in June 1977 accepted a commitment to expand and improve existing foreign aid. This commitment was reaffirmed soon afterwards by ministers of OECD countries, who also announced their determination to concentrate increasingly on programmes that would meet basic human needs.

The Japanese government announced at the June 1977 CIEC meeting, and again at the meeting in Kuala Lumpur in August 1977 of the heads of state of the Association of South-East Asian Nations (ASEAN), that it would double the volume of its aid over the next five years. The Netherlands, Norway and Sweden are to continue to progress towards the aid target of one per cent of GNP. The US government is committed to substantial increases in assistance for the poorest countries and peoples over the next five years.

Western loans have been repayable on average over 32 years, with an interest rate of about 2½ per cent and a grace period of nine years. Terms of their ODA have recently included an average grant element of more than 89 per cent, which is well above the average standard set by the 1972 DAC Terms Recommendation, each donor having then committed itself to reaching a minimum grant element of 84 per cent in its ODA programme.

assisting the poorest

The west has been giving priority to assisting low income countries, especially the poorest communities in these countries, and to rural development. In 1976, one third of Belgium's aid disbursements went to the countries most seriously affected by the oil crisis; 60 per cent of the UK's gross disbursements went to countries with *per caput* GNP of less than $200, and 89 per cent of Danish aid was given for rural development and agriculture. Food aid has received greater emphasis, particularly since the World Food Conference in Rome in 1974. Canadian food aid achieved a record volume in 1976, reflecting the government's undertaking to provide one million tons of cereals a year for the subsequent three years. Aid for population programmes has also risen, and a number of countries have focussed on problems of unemployment (particularly Demark, Norway and Sweden) and nutrition (particularly Switzerland).

The Organisation of Petroleum Exporting Countries (OPEC)† is the second

WINDOW ON THE WORLD

*The committee members are: Australia, Austria, Belgium, Britain, Canada, Denmark, Finland, France, West Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, US, and the EEC Commission.

†Members are: Algeria, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE and Venezuela.

"LIONS DO NOT COMPROMISE! NOR DO WE"

USE

"THREE LIONS"

BRAND

SODA ASH &

CAUSTIC SODA

SODA BICARB

Saurashtra Chemicals

PORBANDAR

rgest group of donors. Members' net DA disbursements were $5,200 million 1976 (2.14 per cent of GNP) and the otal flow was nearly $8,000 million or .28 per cent of GNP (*Development Cooperation..1977 Review*). In view of he substantial funds promised earlier, DA net disbursements may have reached a new peak of over $5,500 million in 1977, subsequently slowly declining.

The terms of OPEC aid commitments, which had hardened in 1975, showed a considerable improvement in 1976. After falling from 79 per cent in 1974 to 72 per cent in 1975, the overall grants element rose again to 79 per cent. OPEC aid was also more widely distributed in 1976. The share of Arab countries in total bilateral ODA disbursements decreased from 81 per cent in 1975 to 64 per cent in 1976, owing to a sharp fall in Egypt's share. The number of recipients increased from 52 in 1976 to 57. Nevertheless, OPEC disbursements remain highly concentrated, with five countries (Egypt, Pakistan, Syria, India and Jordan) receiving about 70 per cent of the total over recent years. While the main purpose of OPEC aid has been to assist with balance of payments difficulties, concessional credits have been given for the sale of oil.

In 1976, the total flow of resources from Communist countries is believed to have declined by more than 25 per cent to its lowest level in the decade. The total net flow of Communist economic aid to the Third World in 1976 was about $600 million (*Development Cooperation.. 1977 Review*) representing only about one per cent of the total receipts of developing countries. Communist economic aid offers to non-Communist developing countries over the previous 23 years totalled less than the overall flow of resources from DAC members in 1976 alone. Fewer than half the Communist offers have been taken up.

The long delay between commitments and disbursements in the Soviet aid programme is due partly to the fact that the assistance is geared almost exclusively to projects and partly to the refusal of the USSR to finance local costs (unlike such countries as Denmark, Norway and Sweden) which are often beyond the means of recipient countries. Delays have also been attributed to the cumbersome Soviet bureaucracy. Although Communist offers to the non-Communist developing world in 1977 are believed to have reached a record total of over $4,000 million, most of this was accounted for by long-term agreements between the USSR and Morocco and between Czechoslovakia and Turkey.

Soviet aid in general has been concentrated on relatively few countries, particularly those of political or strategic importance to the USSR or those able to supply raw materials such as gas, oil, cotton, bauxite and phosphates. Seventy per cent of Soviet economic aid to non-Communist developing countries has been channelled to Afghanistan, India, Pakistan, Indonesia, Algeria, Iran, Iraq, Syria, Turkey and Egypt. Western aid, in contrast, has been spread over more than 100 countries.

A rupture in relations between the Soviet Union and a recipient country can result in a sudden cut-off of Soviet aid. In November 1977 Somalia abrogated the 1974 Treaty of Friendship and Cooperation with the USSR and demanded the withdrawal of all economic and military technicians, as well as reduced diplomatic representation, following Soviet and Cuban support for Ethiopia in the Ogaden. Arrangements for the completion of Soviet aid projects, replacement of skilled personnel and repayment of loans are not known, but western countries appear to be stepping into some of the gaps.

Ethiopia, meanwhile is becoming the

TABLE II

Communist Economic Aid 1954-77
(Non-Communist Recipients of Offers of more than $1,000 million)
($ million)

Turkey	2,977
India	2,800
Egypt	2,321
Morocco	2,167
Syria	1,452
Afghanistan	1,436
Iran	1,384
Algeria	1,279
Pakistan	1,175
Iraq	1,165
Indonesia	1,054
	19,210
	(71.8% of total offers)

Note: This table is compiled from several sources, mainly statements by recipient countries.

TABLE I

Western and OPEC Resources Flow 1973-76

	1973		1974		1975		1976	
	$m	as % of GNP	$m	as % of GNP	$m	as % of GNP	$m	as % of GNP
Total net flow of resources from DAC to developing countries and multilateral agencies	24,628	0.79	28,016	0.81	40,378	1.05	40,505	0.97
ODA from DAC to developing countries and multilateral agencies	9,351	0.30	11,304	0.33	13,585	0.35	13,656	0.33
Total net flow of resources from OPEC to developing countries	1,740	1.88	5,952	3.47	8,164	4.01	7,955	3.28

Source: Development Cooperation; Efforts and Policies of the Members of the DAC; 1977 Review (OECD Paris)

main focus of political, strategic and economic interest in the Horn of Africa for the Soviet Union and its allies. In November 1977, East Germany agreed to provide a credit of $20 million for agriculture, transport and industrial projects (*Addis Ababa Radio*, November 2, 1977), and in February 1978, according to the *Voice of Revolutionary Ethiopia*, Czechoslovakia granted Ethiopia a $44,600,000 loan, mainly for the expansion and modernisation of industry.

The deterioration in relations between the USSR and Egypt continued in 1977. Egypt declared a ten-year moratorium on military debt repayments, the suspension of cotton dealings, and the unilateral rescheduling of civil debt by means of a reduction in trade with the Russians.

marginal assistance

In 1976, the USSR contributed in aid only 0.03 per cent of its estimated GNP (0.01 per cent excluding Cuba and Vietnam) compared with 0.33 per cent for western industrialised countries (*Development Cooperation . . 1977 Review*). Communist countries' multilateral assistance remains marginal. Contributions to world-wide institutions are limited to UNDP, UNIDO and UNICEF, and are extended in non-convertible currencies.

The bulk of Soviet resource transfers consists of development loans with relatively short maturities—generally 12 years, but frequently ten years. Many loans now appear to be falling due and repayments, particularly from the Russians' traditional recipients, have risen steadily in recent years. For several countries, including Egypt, Ghana, India (with the exception of 1973 and 1974), Indonesia and Pakistan, repayments have exceeded disbursements (*The Aid Programme of the USSR*, OECD, Paris, June 1977). Interest rates have generally been set at 2½ per cent but in recent years rates of three per cent have been more frequent. Chinese loans usually contain a grant element closer to that of the western average.

Repayments on Soviet loans are usually made in goods or local currencies, though occasionally in freely convertible currencies. In principle, the USSR accepts repayment in the form of local goods at world market prices but several recipient countries have complained about arbitrary practices, claiming that Soviet goods were overpriced by international standards and their own deliveries undervalued.

The USSR paid well under world market prices for Afghan and Iranian gas in the early 1970s, and more recently Guinean bauxite and Iraqi oil have been underpriced. Sri Lanka has also been dissatisfied with the high price of surveys compared to charges made by western companies and with the time taken to produce survey reports.

Some recipient countries have complained about the Soviet Union's use of artificial exchange rates for the settlement of debts in local currencies. In the case of India, Soviet attempts to claim compensation for a decline in the value of the rupee relative to the rouble are still unresolved. The Indian weekly *Frontier* said on February 11, 1978 that the Soviet State Bank had increased the exchange rate of the rouble regularly since 1971.

Although repayment agreements usually prohibit the re-export of delivered goods, fears have been expressed that the Soviet re-export of such goods—or "switch" trading—at discounted prices was endangering Third World export Cases involving Egyptian and Sudanes cotton were reported in the early 1970s and the *Frontier* article said that semi finished pig ingots produced by th Soviet-aided Bokaro steel mill, exclusive ly for the USSR, had apparently bee labelled "Made in the Soviet Union" an sold to other markets. India has in th past complained of switch trading by th USSR of Indian machine tools an cotton products.

The Soviet aid programme is almos exclusively bilateral and concentrates or large projects in the heavy industrial energy and transport sectors, such as th Aswan High Dam and hydro-electri power station in Egypt, steel plants i India, Iran, Turkey, Egypt and Algeria oilfields in Iraq, and a hydro-electri power stations and railway in Syria. The Soviet Union also has border project with Iran, Afghanistan and Turkey.

Most Soviet project assistance is to help develop industrial production capacity. A loan worth $335 million offered to India during the visit of the Soviet Foreign minister, Mr Gromyko, in April 1977, is to be used for various projects, partly in the steel and coal

TABLE III

Communist Economic Aid Offers to Non-Communist Developing Countries—Preliminary Estimates

($million)

	USSR	East Europe*	China	Total	%
1977					
Africa	2032	55	16	2103	51.1
Asia	348	7	71	426	10.3
Middle East	464	1100	—	1564	38.0
Latin America	1	23	—	24	0.6
	2845 (69.1%)	1185 (28.8%)	87 (2.1%)	4117 (100%)	100.0
1954-77					
Africa	3720	1303	2150	7173	26.8
Asia	5285	1269	1103	7657	28.6
Middle East	5328	4065	355	9748	36.4
Latin America†	953	1075	162	2190	8.2
	15,286 (57.1%)	7712 (28.8%)	3770 (14.1%)	26,786 (100%)	100.0

*Excluding Yugoslavia †Excluding Cuba

This table is compiled from several sources, mainly statements by recipient countries.

ustries. It is the first Soviet credit er to India for more than ten years cept for the special wheat loan of 73), although India still has about $400 llion unallocated from previous credits. epayment on the new loan is to be ade after 20 years and carries an terest rate of 2.5 per cent—better terms an with previous Soviet credits (*New Delhi Radio*, April 27, 1977).

Most of the new east European aid offered in 1977 was also connected with industry. Czechoslovakia offered Turkey a loan believed to be worth about $1,000 million for industrial development, following the USSR's offer of a similar credit the previous year. Prague Radio reported in September 1977 that the loan would be partly for the construction of two machine tool plants at Kayseri and Tokat. In December 1977, Tunis Radio said that Hungary had offered Tunisia $35 million, partly to develop road transport.

Chinese aid

Chinese aid is largely labour-intensive and stresses the use of intermediate technology suited to developing countries' needs. China mainly supports light industry, food processing and agriculture, and gives medical assistance. In 1977 she offered $70 million to Bangladesh for a textile mill, a fertiliser plant and a water conservation scheme (*Dacca Radio*, January 7, 1977), $16 million to Tunisia to build a canal (Tunis Radio, 25 February 1977) and $1.3 million to Sri Lanka for the development of inland fisheries (*New China News Agency*, March 28, 1977).

While until the mid-1960s Soviet and east European assistance was directed towards the domestic market requirements of developing countries and to import substitution, more recent loans have tended to be for export-oriented industries of interest to the communist states. This trend is reflected in the number of Soviet-aided projects in geological and mineral exploration, and in increased willingness to accept repayment in output of assisted projects.

An example is the projected Soviet investment of $2,000 million to construct a phosphates mine at Meskalla, Morocco, an export harbour at Essaouira on the Atlantic coast and a 100 km railway between them (*Maghreb Arab Press*, November 19, 1977). Under the project, the largest ever proposed by the USSR with a Third World country, Soviet credits repayable over 16 years at 2½ per cent interest will be used for the production of phosphate rock, triple super-phosphates (TSP) and sulphuric acid. The first deliveries of TSP to the USSR in repayment will start in 1978; deliveries of phosphate rock will begin in 1983 when the mine begins production, rising from two million to 10 million tons a year. When the investment is paid off, exports will continue in exchange for Soviet oil, timber and chemical products. The prices of the phosphates, which will be used for agricultural fertiliser and also supplement the USSR's existing sources of uranium, are to be renegotiated annually over a 30-year period. Soviet assistance for the development of phosphates in Iraq is also repaid in kind.

About half of the 1977 Soviet credit to India is to be used to set up a 600,000 tonne alumina plant based on the bauxite deposits on the eastern coast at Andhra Pradesh. The loan will be repaid in alumina produced—about 300,000 tons a year over 20 years. The USSR also takes bauxite and aluminium from Guinea, Indonesia and Algeria in repayment of loans to them.

Other examples of this form of tied aid are the development of natural gas resources in Afghanistan and Iran, a substantial part of which is exported to the USSR. These exports not only pay for the delivery of Soviet equipment and machinery but also enable the USSR to export its own natural gas to industrialised countries as payment for imports of needed western goods. However, Iran is reportedly asking for hard currency and not equipment and machinery in payment for its gas exports to the USSR.

Non-project assistance plays a small part in the Soviet aid programme. So far, only a single commodity loan seems to have been extended—the delivery of two million tons of wheat to India in 1973 and 1974. Most of this has been paid back now that India has built up substantial reserves of food, prompting Soviet complaints about the quality of the wheat repaid. Only one loan to a non-Communist country has so far been offered for balance of payments support—to Bangladesh in 1974. Relief assistance usually represents less than one per cent of Soviet aid commitments.

Operations of international financial institutions

In setting up the United Nations the founding countries justly believed that its chief aims would be to maintain and strengthen universal peace, promote friendly relations among nations and international cooperation. At the same time, it was decided not to burden it with highly specific tasks which were to become the province of specialised agencies.

In 1944 the representatives of 44 countries that took part in the work of the UN currency conference at Bretton Woods, USA, signed an agreement on setting up the International Monetary Fund and International Bank for Reconstruction and Development (also known as the World Bank). Although these institutions were to play different roles, the purpose for which they were founded was the same, namely to create a currency loan mechanism that would enable all countries without exception to achieve progress through close cooperation.

However, it did not take long for the world to see that the blue flag was being abused to serve the interests of certain financiel lobbies. Instead of becoming centres of international cooperation, the International Monetary Fund and the International Bank for Reconstruction and Development have long become arenas of fierce contention, in which the stronger party invariably gains the upper hand.

The aims of the IMF (International Monetary Fund) and the IBRD (International Bank for Reconstruction and Development) appeared humane and noble. Thus, the World Bank (IBRD

was to render the member countries assistance in reconstruction and economic development and mobilise international funds to promote accelerated progress of the backward countries. The IMF was to encourage international cooperation in the sphere of currency, improve the stability of currencies, create a multilateral system for settling accounts between the countries and make available to member countries the resources necessary to even out their balance of payments.

However, the aims remained only on paper. By joining the World Bank the newly free countries hoped it would help them to develop their productive forces and make rational use of their natural resources. They hoped that the IMF would grant them cheap short-term credits which were vital to cover deficits in their balance of payments.

However, these hopes were not to be realised. The countries of the Third World could not solve a single major problem of theirs with the help of these financial institutions. In fact the latter only added more difficulties to the existing ones. Thirty years of IBRD activity has shown that its actual purpose is to extend commodity markets, raw material markets and capital investment spheres for the multinational corporations. The efforts of the World Bank are aimed at preventing the growth of economic independence among newly free countries, at preserving and strengthening the world capitalist system, at perpetuating the dependence of the newly-free states on their western "partners in development" and preventing them from establishing cooperation with the USSR and the other countries of the socialist community.

IMF's role

As the main source of currency credits for the Third World, the IMF could have helped lessen the dependence of the developing countries on western export credits given at high interest and made them less vulnerable in their relations with the former metropolitan countries. However, in actual fact the IMF has become a tool in the hands of multinationals and high finance. All it can offer its clients is a new and more sophisticated form of dependence.

Most of the international organisations which exist today are based on the principle of sovereign equality of the member countries. One member, one vote. But this did not suit the western countries in the case of IMF and IBRD. That was why structurally the World Bank and the IMF were founded on the principle of a joint-stock company, with voting rights on the basis of weightage. This naturally gave the USA and its allies a position of dominance in formulating policies of the World Bank and the IMF.

Already during the initial distribution of quotas the USA and Britain secured 45 per cent of the votes in the IMF. A similar pattern took shape in the World Bank too. It is true that subsequently the share of these two powers shrank somewhat. However, at the same time the quotas of their western allies increased. Today they enjoy the support of nearly two-thirds of the votes and just like thirty years ago, they still retain a firm hold on the World Bank and the IMF.

The special position of the USA has been consolidated by the right to veto. To adopt basic decisions it is necessary to secure no less than 80 per cent of the votes. Since the USA has more than a 20 per cent quota both in the IMF and the World Bank it can overrule any decision that is not in its interests.

American overlordship

The president of the World Bank has always been an American citizen. In the beginning it was Meyer, financier and publisher of *The Washington Post*. He was replaced by McCloy, Wall Street lawyer and consultant for Rockefeller's Chase Manhattan Bank. The next one was the banker Black, ex-President of the Chase National Bank and later a member of the board of directors of the Chase Manhattan Bank. After Black it was Woods who took over the World Bank. Previously he had cooperated with the First Boston Corporation and passed on his powers to McNamara, ex-Secretary of Defence, in 1968.

The other leading posts in the World Bank and the IMF are also held by representatives of big commercial banks and western multinational corporations. The discriminatory organisational structure predetermines the correspond credit policy, namely "he who pays piper, calls the tune."

In recent years, within the framew of "aid programmes" the western ind trial states have preferred to make siza sums available through the World Ba or the IMF, and not on a bilateral ba What is the reason for this ? Even layman can see that the rates of inter which the international financial ins tutions demand for their loans are ve high. If any western state were to char a developing country 8-9 per cent inter for a loan, it would be immediately su ject to sharp criticism and accusations neo-colonialism. However, if the Wor Bank or the IMF loans money on su terms, this is regarded as normal practi and the responsibility is nominally shar by all the participating countries, inclu ing those which apply for loans.

hopes belied

When the developing countries entere the World Bank and the IMF, they hope to get loans on easier terms, than thos which they had been offered in the inter national capital market. But the polic makers in the World Bank and the IM have no intention of undercutting th private banks. As a result, the Worl Bank and IMF rates of interest ar pegged to the same interest rates on loan capital in the western capital markets Thus, till 1962 the World Bank loaned money at 5.75 per cent, then the rate o interest dropped to 5.5 per cent. But in 1966 it went up to six per cent, in August 1968 to 6.5 per cent, a year later to seven per cent and in September 1970 to 7.25 per cent. It has been mentioned that at present the normal rate is eight or more per cent. Thus, in 1977 the World Bank granted credit for the Ivory Coast-Upper Volta Railway—at an interest of eight per cent and provided another loan to Tunisia at 8.2 per cent.

To guarantee the payment of such a high interest the World Bank constantly makes demands on the recipients of loans that are incompatible with its neutral status in political and economic matters. It has proposed such measures as tax reforms, changes in currency policy, revision of tariffs, and creation of a

re favourable climate for foreign in-tors.

n recent years the World Bank has eloped the practice of creating and ding consortia of private US, British, st German, French, Canadian and panese banks. In granting a loan to e country or another the World Bank mands that several private banks ould participate in the operation. Using e World Bank as a cover, these banks rce enslaving terms on the developing untries. If the applicant country re-ses to comply with the demands the orld Bank and the other members of e consortium see to it that the country oncerned does not get money from any her external sources.

approved schemes

The World Bank makes loans available nly for purposes it approves of. To stablish the expediency of granting redit for one project or another it sends o the country in question a commission which as a rule, consists of the represen-atives of the biggest western private banks. The experts study not only the details of the project, but also the gene-ral situation, including such factors as the stability of the government, the pro-grammes for economic and social deve-lopment, condition of the state budget and balance of payments, policy towards private foreign investors and gold and hard currency reserves. It is difficult to draw a line of demarcation between a "study" of this kind and common econo-mic and political espionage.

Since the World Bank and IMF began operations, whenever the developing countries have applied for their share of credit or when they got loans to make up for the drop in returns for exports, they have come up against draconic terms. As early as the 1950s they compelled the countries of the Third World to abolish practically all tariffs which the latter had introduced to protect their industries. This was the reason for the conflict between the World Bank and the IMF, on the one hand, and the Philippines, Brazil and Mexico, on the other. The most striking case concerned Guatemala. When it applied to the World Bank for a loan, the latter said it would be granted, if Guatemala paid foreign stockholders for securities issued in 1829!

Everyone remembers the events which occurred in Egypt early in 1977 when the Egyptian government was prepared to meet the condition of the IMF and to discontinue subsidising food and other mass consumer items. The indignation of the people assumed such proportions that the government hurriedly cancelled this measure.

In spring 1977 an IMF delegation granted a loan to Peru on the condition that the latter would devaluate its national monetary unit and cut down the outlays for social services. It also demanded that all the state-owned enter-prises be handed over to private owners, that the government foreign trade mono-poly be abolished and higher taxes impos-ed. In November 1977 the IMF demanded that Turkey should slow down the rate of economic development, increase import and decrease export, devaluate the lira and cut down capital investments in the public sector.

The IMF has invariably assumed a commanding tone in negotiating with sovereign states. The decisions of the IMF on the terms for granting loans have caused ministers to resign, government programmes to be changed and have had a negative effect on the conditions of the working people.

political character

The loans and credits made available by the World Bank and the IMF invari-ably take a political character. When they take a decision on granting a loan, especially on the size of the loan, they are not so much concerned with the economic development of one country or another, but rather with the interests of the multi-national corporations, and the foreign policy and strategic military interests of the USA and the west in general. As a result, loans are first of all made avail-able to those countries and governments whose policy is in keeping with these interests.

In the first ten years after the IMF was founded (1947-56) it granted credits to western Europe and the USA (60 per cent), Japan, Australia, New Zealand and South Africa—about 30 per cent and the developing countries—slightly more than 30 per cent. In subsequent years there were no major changes in the pattern: in 1961 out of the $2,500 million available to the IMF $1,500 million were grant-ed to Britain; in 1964 out of $1,900 million over $1,500 million were made available to Britain and the USA; in 1965 out of $2,400 million over $1,800 million were again granted to Britain and the USA.

Today the governments of the western powers have been talking a lot about granting more aid to the Third World. Has this prompted their representatives in the international financial institutes to alter their policy? Not in the least. Today too the west continues to use the IMF as a means of self-financing. Recently the biggest loans have been granted, to Britain $3,900 million and Italy $530 million.

constant discrimination

The developing countries, in particular those pursuing a progressive policy, are being constantly subjected to discrimina-tion. For instance, the World Bank refused Egypt a loan for the construction of the Aswan High Dam project. During the first nine years of its independence Ghana received $39.7 million in loans from the World Bank. After the coup d'etat in 1966 the World Bank and the IMF virtually showered loans on the pro-western regime that overthrew Kwame Nkrumah's progressive government. Immediately after the coup d'etat the IMF granted Ghana credit of £12.5 million (sterling) and by the end of 1966—another £6.2 million. In June 1967 the IMF made available a reserve credit of $25 million and in June 1968—another $12 million. In addition to this, the World Bank group granted Ghana a $10 million credit in 1966-68.

Though time marches on, the policy remains unchanged. In 1976 the IMF granted South Africa $300 million, namely three quarters of the total sum of loans it received from foreign sources. Which other country in Africa enjoyed such favours?

At present the fascist junta in Chile is being universally condemned for violat-ing basic human rights. However, this

fact has not prevented the World Bank from sanctioning a $35 million loan to Chile.

Zaire is also typical in this respect. Uncontrolled domination by the corporations, squandering of funds on "prestige" projects, inefficient administration and corrupt government brought the country to the verge of bankruptcy in 1975. To save the western investments amounting to millions of dollars an agreement was drawn up in 1976 with IMF mediation between Zaire and 98 American, west European and Japanese banks on repayment of the debt in instalments. When Mobutu's government made unprecedented purchases of arms during the war in Shaba in spring 1977, it threatened this sensitive agreement. This prompted the IMF to hasten to the rescue and to grant Zaire another loan of $85 million. For whom were these millions meant? Not for the people of Zaire, of course. The purpose of these loans is obvious, namely to save a key pro-western regime in Africa from collapsing.

Polish example

The international financial institutions have always discriminated against the socialist states. Poland was a member of the International Bank for Reconstruction and Development till 1950. During the Second World War Poland's economy suffered immeasurably more damage than the economy of any west European country. However, socialist Poland was refused loans for rehabilitation and modernisation of its metal making and coal-mining industries. At the same time similar generous loans were made available to France and the countries of the Benelux. In 1961 Cuba withdrew from the World Bank too. After Cuba proclaimed its socialist policy no more loans were granted to it.

Just like the main part of bilateral western aid most of the credits granted by the World Bank are invested in projects which are directly or indirectly connected with the expansion of export of farm goods and mineral raw materials to the west. Practically all the credits granted by the World Bank for the expansion and modernisation of the infrastructure and farming and a large part of the loans for industry are designed for this purpose. Of course, it is essential for the developing countries to develop their exporting sectors, because they are a source of foreign currency and also because they encourage the introduction of progressive equipment and processes. However, in the final analysis concentration on export production does not eliminate dependence, but on the contrary increases it. In terms of development the gap between countries of Third World and the industrialised western powers is growing wider. Today this gap is about fifteen to one. At the same time the size of the debt is rapidly growing. At present the debt of the African states amounts to $35,000 million and and that of the whole of the Third World—$250,000 million.

declining growth

Of course, the administration of the World Bank is well aware of this situation. Robert McNamara, President of the World Bank, admits that during the past 25 years the rate of growth of the developing countries has sharply declined and their share in the global income has decreased to an even greater extent. Despite this, he recommends once again that they should concentrate on developing the agrarian and mining sectors.

The World Bank allocates a large share of its funds to the development of the infrastructure and this fact leaps to the eye. The infrastructure is undoubtedly an important sector. However, a careful study of the infrastructural projects built with the help of the World Bank reveals that just as in colonial times the railways and highways are, as a rule, being built to serve the mines and quarries where the foreign corporations are extracting African raw materials. They are extracting these materials to turn them into finished products which will later be offered at very high price to the countries exporting raw materials.

Contrary to the decisions of the UN, the Organisation of African Unity and the conferences of the non-alignment movement, the World Bank maintains that the Third World should not spend money on the development of its own industrial base, especially on the construction of heavy industries. By encouraging the construction only of small-scale e terprises of the light and food industr or by backing the extraction of raw ma rials the World Bank is objectively he ing perpetuate the economic backwa ness of the developing countries a their status as agrarian-raw material a pendages of the foreign corporations.

The agreement on the World Ba provides that it can grant loans to p vate enterprises only if the central ba of the recipient country guarantees t repayment of the main sum of the de and the interest on it. Practical expe ence has shown that only few gove ments in the Third World overtly gi encouragement to capitalist growth. most cases they refuse to guarantee su loans. But one of the main ideologi objectives of the west is to advance ca talism in the developing countries a since the statutory requirements of t International Bank for Reconstructi and Development inhibit this process, has been decided to evade them. In 19 an International Finance Corporati (IFCO was founded on the initiative the US government, as a subsidiary the World Bank).

private capital export

The official aim of the IFC is to gi encouragement to private initiative. task is to assist export of private capi from the industrially developed capi list countries to the developing countri In financing private enterprises the I does not require guarantees from t state.

The practical activity of the IFC shown that it acts as an investor, rat than a creditor. By putting money i one enterprise or another and by p chasing its shares the IFC can become co-owner or sell these shares to a priv bank, insurance company or indust firm. Regardless of the form in wh the IFC invests its capital, it does so o on a share basis. Thus, the IFC is so much involved in providing loans in helping western private capital penetrate the economy of the Th World.

In that the aims of the IFC do differ greatly from those of the Wo

nk; its organisational structure is also sed on the World Bank. It is obliga- y that a member of the IFC should be nember of the World Bank. The votes the Managerial Council and the Board Directors of the IFC are distributed in proximately the same manner as in the orld Bank.

It should be mentioned that, in con- ast to the IBRD, the IFC does not claim be a "charity" organisation. The IFC nvests money only into enterprises that an produce tangible profit. It does not rovide backing for the construction of nfrastructural projects, schools, hospi- als or housing. IFC money is used for acking small and medium sized enter- prises only in sectors in which they will not compete with the products of the multinational concerns.

neo-colonial tools

In the first few years after the second world war several international finan- cial institutions were set up with large- scale western capital. Naturally, these institutions serve its interests above all, and not the interests of the developing countries. As time goes by they are ceas- ing to be instruments of aid to develop- ment and are becoming more and more a tool of neo-colonialist policies.

This policy is in glaring contradiction with the trend towards detente and co- operation. Naturally, it gives rise to just and sharp criticism and opposition on the part of the developing states. In the last few years the struggle between the developing and advanced states in the IMF, the IBRD and its affiliates has be- come far more intensive.

The young states justly point to the inbuilt advantage enjoyed by advanced countries in these organisations. At a joint session of the World Bank and the IMF held in Manila in 1976 the Indian representative said that the west was still preventing the Third World coun- tries from participating in the solution of international economic problems. The west is treating the 110 developing coun- tries with a population of 2,000 million as if they are an "unimportant minority."

The question in Manila raised the ques- tion of the need to make cardinal changes in the existing international monetary and financial system. There were even proposals to eliminate the IMF and to set up a new democratic organisation which would be known as the Interna- tional Central Bank with the participa- tion of all states regardless of their socio-economic systems.

At the Manila session the Third World demanded an increase in the volume of credits to be granted by the World Bank on easier terms. Just like the proposals on a reform in the IMF, these demands were resolutely opposed by the west, above all by the USA, West Germany and Japan. Addressing the session, the US Secretary of the Treasury, rejected the idea of raising the ceiling of loans granted by the IBRD. He proposed that the developing countries should open their doors wider to the foreign corpora- tions and private banks.

The west also resisted all attempts to get the IMF to increase credits for cover- ing the current liabilities in the balance of payments of the Third World. Though the authorities of the IMF refused the requests of the Third World, they im- mediately found $4,500 million to rescue the pound sterling and the Italian lira. Besides, at the session they managed to pull through a decision about increasing by $408 million the capital of the International Finance Corporation which acts as agent of the multinational corpora- tions.

At the joint session of the IBRD and the IMF held in Washington in 1977 the developing countries again demanded that the volume of aid be increased and the policy of discrimination be ended Their spokesmen sharply criticised the rigid political and economic terms on which credits were granted and described them as "strait-jackets."

However, the developing countries failed to gain any concessions. Instead of trying to solve the urgent questions bearing on the restructuring of interna- tional economic relations the session again examined the age-old problems facing the capitalist economy, namely in- flation and instability of currencies. Soon the session was engaged in mutual re- proaches, claims and accusations with reference to protectionism, etc. The spokesmen of the industrially developed western countries relentlessly attacked one another along these lines. As a re- sult, this session too drove the acute pro- blems of the Third World into the back- ground.

But the struggle is by no means over. Every setback of the developing coun- tries only reaffirms their determination to change the present situation and work for the new economic order.

Eastern Economist 30 Years Ago

JUNE 11, 1948

There must be many people in India today who, tired of the hectic rush of events since August 15, 1947, are disposed to ask nothing so much of a kind providence than that it should give them a brief opportunity just of lie back and peacefully rest. It seems to be our destiny that when history in its relentless course ceases momentarily to jostle us from one big change to another, some Depart- ment of the Government must awaken to its spe- cial responsibility in framing some measure cal- culated to disturb at once our bried repose. The most recent disturber of the public peace is a resolution framed in Delhi in May by no fewer than twenty four Vice Chancellors of Indian uni- versities in solemn conclave assembled. It might perhaps have been anticipated that from this tem- ple of erudition there would have emerged for our benefit the clear and honoured voice of academic reasoning. Unforunately anyone who studies the resolution of the Vice Chancellors on the replace- ment of English by the regional languages in a space of five years must seriously wonder whether either reason or a recognition of plain facts en- tered at all in the reckoning. It would appear that a matter of great moment to the future of scholar- ship in the country has been treated as a political plaything.

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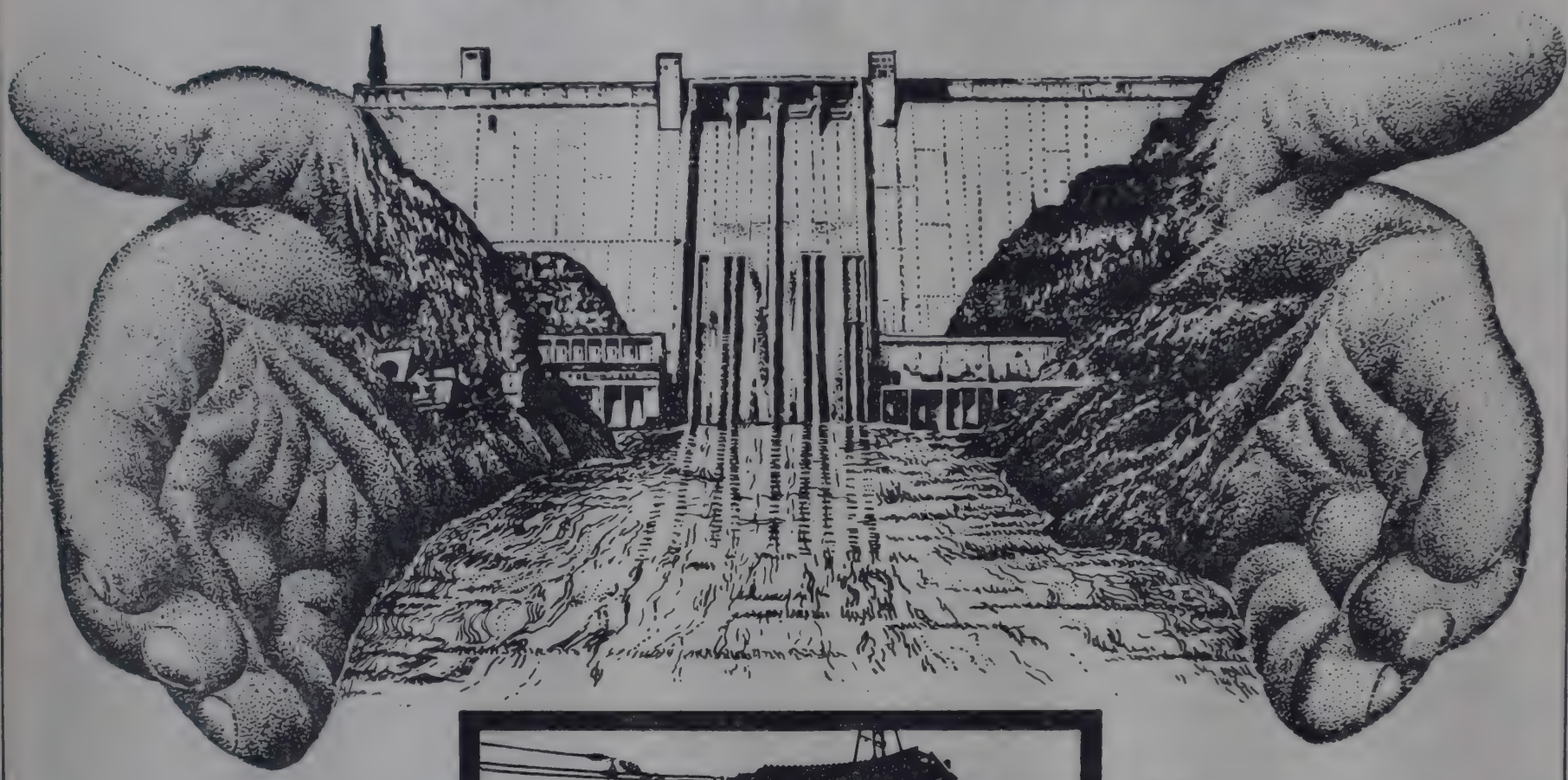

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GAYWAYS

MOVING FINGER

Mr Atal Behari Vajpayee,

am sorry, cannot be congratulated on he clarity of the statement, made by him at a press conference on his return from Teheran, that, while it would be "naive to think that the recent developments in Afghanistan might not be a setback to the processes of stability and economic cooperation in the area", neither India nor Iran shared the "apprehensions" of some countries and people that there would, indeed, be a setback. This recalls to my mind the tale about a *baniya* who found himself in the unenviable position of having to give evidence in a criminal case in which two *goondas* of the locality were accusing each other of stealing a horse which each claimed was his. The beast in dispute was brought to the court and the *baniya* in the witness box was asked to tell, from his knowledge, to whom the animal really belonged. Not wanting to fall foul of either of the bullies involved in the case, the *baniya* deposed that, if one were to go by the front view of the horse, one should say that it belonged to the party 'A' but if one were to go by the rear view, one must be equally certain that it belonged to the party 'B'.

I readily concede that recent developments in Afghanistan call for some very careful tight-rope walking on the part of neighbouring governments, but the point about tight-rope walking, as any child who has been to a circus knows, is that, whether it is in fact done effortlessly or not, it should seem to be done effortlessly. Judged by this test, the External Affairs minister does seem to have stumbled a little.

In this context, it is

interesting to quote from an editorial in *Kayhan International* of May 7:

"Afghanistan under Zahir Shah had perhaps remained too much tied to the nineteenth century. Reforms long overdue had been long ignored and deep economic and social changes were called for. But at least the country enjoyed stability and a clear centre of leadership from which such change could and was beginning to emanate. *By overthrowing the established authority, Daoud undermined the legitimacy of the very concept of government in Afghanistan*; he introduced into the polity an element of disunity and instability and, having himself come to power through violence, released forces and established precedents that in the end he could not control." (Italics mine). History, like beauty, lies in the eyes of the beholder.

The same issue of this paper carries two news items which suggest that, in some ways, the capital of one of the world's richest oil countries may not be faring much better than the capital of India which is far from being a rich country. It appears that residents of Teheran are being fleeced by a black market in coolers, with traders making heaps of rials while the sun scorches. Officials however are assuring the public —as officials everywhere always do—that things are bound to improve soon and that meanwhile those who need coolers should go about pretending that they do not so that the profiteers may be fooled.

The second news item

is about the traffic jam caused by some 75,000 people crowding in front of Iran's national automobile factory to place orders for the 60,000 *Paykan* cars, which the company said that it would sell directly to customers. As regards the lucky ones who could get themselves registered, the last of the first 30,000 will not get his car before 12 months and the last of the second 30,000 not before two years, since the plant turns out only 30,000 cars a year.

Nearer home, *The Statesman* reported the other day that a New Delhi automobile dealer is not accepting new orders for a particular make of car until the backlog is cleared. In this case the vehicle costs over Rs 39,000 for the ordinary model and about Rs 45,000 for the deluxe model. Production, however, had been disrupted during the first four months of this year, thanks to an industrial dispute which had led to a lock-out.

There was a time when

commissions or committees could be expected to make recommendations on which the government could proceed to take decisions without much ado. As a matter of fact it was often the case that the government's decisions on a committee's report were announced along with the report itself. Under the present dispensation, however, a report by a committee is frequently a prelude to more studies and investigations. Thus, a group of officials has now been asked to study the Verghese report on All India Radio and Doordarshan and guide the government in coming to conclusions. As for the Bhoothalingam report, the committee itself has candidly said that quite a few more committees or commissions will be required to find out what practical use could be made of this report.

Then there is the Dagli committee, the affairs of which are becoming curiouser and crusiouser. The chairman, it appears, flies to Delhi every week or almost every week from Bombay where he has a regular job. So much travel cannot of course be done on a shoe-string budget but then who said that the Janata administration is a poor country's government. Although its chairman has been promptly allotted a room in the Finance ministry, the committee itself seems to have had a lot of troubles in finding office space. Fortunately, the Special Assistant to the prime minister, Mr Hasmukh Shah, who, it seems, is fast becoming a *very* Special Assistant, is reportedly active on behalf of the Dagli committee as an informal Officer on Special Duty. Consequently many of the house-keeping problems, at least of this committee seem to be getting solved. This is some gain, considering that the committee's report, hopefully, should be ready with the government in October.

TRADE WINDS

Steel Prices Increased

THE GOVERNMENT has increased the prices of saleable steel on an average by Rs 175 a tonne. It has also decided to levy a development surcharge of Rs 100 a tonne on non-priority categories to generate funds for modernisation, rehabilitation and development of steel plants. Another decision taken is to introduce a new system of pooling the prices of imported and indigenously produced steel items so that both sell at the same price. The price increases will financially benefit TISCO more compared to the public sector plants. Since TISCO has a modernisation and expansion programme in hand, the dividend payable by the campany has been restricted to 12 per cent. The increase, the government says, has been induced by the recent spurt in the market prices of certain essential categories of steel. The measure is intended to mop up a part of the excess profits accuring to the traders.

Official sources said care would be taken to see that the price hike in certain essential categories of steel was minimum. A degree of flexibility will be introduced in fixing the prices, so that in the event of a shortage or a vast difference between the selling and the market prices, the premium goes to the industry and not to the trade. But any temporary increase on this account will have to be approved by the steel ministry.

The major steel plants had recently revised the stockyard prices of certain categories of steel. But these adjustments related only to handling and other costs. Any changes in the basic selling prices are considered first by Joint Plant Committee and then finally approved by the government. On May 31, the ministry of Steel announced the abolition of giving benefit to small-scale manufacturers who were taking delivery ex-stockyard. The government also imposed an informal price control on all steel items requiring the steel plants to take approval of the government before raising the price of any item. To overcome any sudden shortages that might develop it also decided to build a buffer stock and allow imports of such items which would be in shortage.

Since the last increase in prices in 1973 there were two sets of prices prevailing in the market, one for ex-plant deliveries effected to large consumers whose demands were such that they could conveniently avail of rake loads. Ex-stockyard deliveries were largely made to medium and small industries whose demands did not permit them to order in rake loads. This, it was now felt, had worked to the advantage of the big consumers because of the large spread between ex-plant and ex-stockyard prices. In order to end this competitive disadvantage of medium and small industry and to safeguard the interest of the consumer the government decided to have only one set of prices instead of two as hitherto.

For deliveries ex-plant which facility will not only continue but will be extended, the incidental charges of handling ex-stockyard only will be added. These incidental charges will not however be levied in offtake by small-scale industries corporations, which will give them a distinct price advantage.

Advance Income Tax Payment

All taxpayers who have previously been assessed to income-tax by the Income-tax department are now required to file, on their own, a statement of the advance-tax payable by them during the financial year 1978-79 in a newly prescribed form No. 28A and deposit such advance tax voluntarily into the government acconut. This is in accordance with the change in law introduced by the Finance Act, 1978, with effect from June 1, 1978. The advance-tax is to be calculated on the basis of the total income of the latest previous year in respect of which the taxpayer has been assessed to tax or the total income of a later year on the basis of which the taxpayer has paid tax on self-assessment, if such total income is higher.

If a taxpayer estimates that his current income is likely to be less than the total income on the basis of which a statement of advance tax is to be furnished by him or for some reason the amount of advance tax payable by him would be less than that payable on the basis of a statement, he may send to the income-tax officer, in lieu of the statement, an estimate of the current income and advance tax payable thereon in the prescribed form No. 29 and deposit the advance tax accordingly. The statement or the estimate, as the case may be, has to be filed before the first instalment of the advance tax is due. To facilitate a smooth switch-over to the new procedure, the Income-tax officers have been asked to send notices of demand for

payment of advance tax to the existing taxpapers in whose cases the first instalment of advance tax is due on June 15, 1978.

Dealer to Dealer Sale of Gold Banned

The gold cell of the Reserve Bank of India on June 2, announced the sale of 12,04,400 grammes (a little over 1.20 tonnes) of gold in the third gold auction held on May 31. Five hundred and ninety eight bids, out of a total of 1,501 submitted, were accepted and the sale price ranged from Rs 631 to Rs 655 per 10 grammes.

On the same day government prohibited licensed dealers from selling or disposing of gold purchased from the Reserve Bank of India to any other licensed dealer. The order which was issued by the ministry of Finance came into force with immediate effect. It superseded the order issued on April 29 by the gold control administrator authorising licensed dealers to buy the gold being sold by the RBI.

The new order said such a licensed dealer may use the gold in making and manufacturing ornaments or articles or sell, deliver or transfer such gold, not exceeding 100 gm. at a time, to certified goldsmiths. Any infringement of the restrictions would amount to violation of the Gold (Control) Act.

The gold markets came to a standstill last weekend following the notification banning the resale of auction gold on dealer-to-dealer basis. No business was reported to have been transacted in Bombay. Nominally, however the quotation was around Rs 690/695 for 10 gm. The notification has put the successful bidders in the third auction in a quandary. A large number of such dealers had already entered into forward dealings even before the auction was held. The government ought to have given due notice of such action. The notification could have been made effective for the forthcoming fourth auction. (For detailed report see also Capital's Corridors, p. 1117).

Concessional Levy on Sugar

The government has considered a large number of representations received from khandsari manufacturers' associations and individual units requesting for the extension of concessional rates of weekly compounded levy payable by khandsari units beyond May 31, 1978 and decided to extend the concessional rates upto the September 30, 1978.

Expert Group on Small Savings

The government has constituted a six-member expert group to make a comparative study of the small savings schemes and the schemes of the commercial banks for mobilisation of savings and to suggest necessary changes for making the small savings scheme more purposeful and effective. Prof C. Rangarajan of the Indian Institute of Management, Ahmedabad, is the chairman of the group. Other members are: Mr R.B. Chari, Secretary, government of Maharashtra; Dr A. Bagchi, Director, ministry of Finance, New Delhi; Mr N.D. Jain, Deputy Chief Officer, Reserve Bank of India, Mr T.E. Raman, Director, P & T Directorate, New Delhi, and the Joint National Savings Commissioner, Member Secretary.

The group will make a comparative study of the savings schemes of the commercial banks and of the small savings schemes. It will particularly look into the benefits and facilities available to the investors under various schemes and suggest improvements, if necessary, in the small savings schemes, keeping in view the costs and other relevant factors. The group will also examine the various suggestions made to the National Savings Central Advisory Board. The expert group will submit its report by August 31, 1978.

Nurseries for Higher Cotton Yield

A prominent cotton grower in Gujarat, Dr C.T. Patel has evolved a new variety of cotton Hybrid-4, which could be grown in the areas with limited irrigation facilities. This variety has wide adaptation and large tolerance to drought conditions and the production is 50 to 60 per cent higher than the common variety of cotton.

Dr Patel has also evolved the method of its cultivation. About 2,500 seedlings have to be raised in polythelene bags of 9" x 7" for one acre. This nursery is to be raised about four weeks in advance in partial shade and is to be irrigated with the help of bucket sprinkler. After four weeks the nursery seedlings are to be transplanted in pits specially dug for this purpose. This method is simple and can easily be adopted by the farmers.

To encourage this method the government provides subsidy on the polythelene bags up to 25 per cent to marginal and 33½ per cent to small farmers. During the current season, this method will be adopted in 25,000 hectares Gujarat.

HUDCO Loan for Housing Projects

Five new projects costin Rs 5.65 crores have been sanc tioned by the Housing an Urban Development Corpora tion (HUDCO).

Under these schemes, a tota of 344 houses for economical ly weaker sections, 180 houses for low income group and 788 houses for middl income group will be cons tructed in Andhra Pradesh Orissa and Rajasthan and i Delhi and Chandigarh.

The total number of projects sanctioned by HUDCO, including these five projects, during the first two months of the current year has reached 20 at a total cost of Rs 9 crores. Under these schemes, 1446 dwelling units for the economically weaker sections, 2702 for low income group and 1044 for middle income group will be constructed in seven states—Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, and Tamil Nadu and in Delhi and Chandigarh.

Agricultural Credit Institutions in UP

Several recommendations bearing on agricultural credit institutions in Uttar Pradesh have been made in the report of the study team (appointed by the Reserve Bank in May 1975 under the chairmanship of the then executive director, Dr C.D Datey) published by the Reserve Bank of India. The Reserve Bank generally accepted these recommendations and forwarded them to the government of Uttar Pradesh for acceptance and speedy implementation. The government of Uttar Pradesh has accepted

the recommendations in general and initiated action to implement them. Some of the important recommendations of the team are about Uttar Pradesh State Cooperative Bank's involvement in short term agricultural loans, institutional arrangement for hilly region, credit flow, sugarcane unions and finance for dairying.

National Awards for Export Performance

Fiftytwo exporters have been selected for national awards by the ministry of Commerce for outstanding export performance during 1976-77. There are 16 winners of trophies and 36 winners of certificates of merit.

The winners of trophies for the year 1976-77 are: Bank of India, Bombay (export credit and guarantee); Chinar Exports Pvt Ltd, New Delhi (light engineering goods); Clarostat Ltd, Bombay (machinery for generation, transmission and distribution of power); Handicrafts and Handlooms Export Corporation of India, Ltd, New Delhi (garments); Interocean Shipping Co, New Delhi (consultancy services); Jaya Shree Textiles & Industries, West Bengal (porcelain insulators); J.J. Exporters Ltd, Calcutta (handloom textiles of cotton and silk); Kejriwal Iron & Steel Works, Calcutta metal manufactures); Malik Traders, Bombay (leather goods including footwear); Mazagon Dock Ltd, Bombay (machinery & equipment, non-electrical, including transport equipment); M.C. Engineering Co Pvt Ltd, New Delhi (electronic items); Motor Industries Co Ltd, Bangalore (machinery & equipment non-electrical, including transport equipment); National Industrial Development Corporation Ltd, New Delhi (consultancy service); National Plastics Industries, Bombay (plastic products); Orient Marine Products (P) Ltd, Madras (fish and fish preparations); and Prashanth Overseas Supplies House Private Ltd, Madras (fish and fish preparations).

Merit Certificates

The winners of the certificates of merit are: Aravinda Parimala Works, Mysore (agarbatties); Art Works Exports Ltd, Calcutta; (readymade garments of cotton, silk and wool); Bharat Electronics Ltd, Bangalore (electronic items); Bharat Heavy Electricals Ltd, New Delhi (electrical machinery); Bharat Skins Corporation, Madras (leather goods including footwear); Brooke Bond India Ltd, Calcutta, (tea bags and packed tea); Central Bank of India, Bombay (export credit and guarantee); Corporation Bank Ltd, Mangalore (export credit and export guarantee); Exports India, New Delhi (readymade garments); F.C. Sondhi & Co (India) Pvt Ltd Jullundur (sports goods); Garware Plastics and Polyester Pvt. Ltd. Bombay (plastic products); Gokuldas Harbhagwan Das, Bangalore (readymade garments, handloom); Hindustan Handlooms and Handicrafts, Calcutta (handloom textiles, cotton and silk); Industrial Cables (India) Ltd, New Delhi (insulated wires and cables including ACSR conductors); Jay Engineering Works Ltd, New Delhi (electric fans, sewing machines and spare parts); Kidar Nath Kishan Chand Pvt Ltd, Bombay (cotton textiles—millmade); Liberty Footwear Co, Karnal (leather goods including footwear); Miltons Ltd, Bombay (readymade garments); Mega Overseas Pvt Ltd, Delhi (microphones, loudspeakers and amplifiers); Paramount Trading Corporation, Moradabad (handicrafts, leather manufrctures and readymade garments); Projects and Equipment Corpn. of India Ltd, New Delhi (transport equipments & machinery); Rajnikant Brothers, Bombay (diamonds cut & polished); Raymon Glues and Chemicals, Fort Bombay (ossein); Saha Soshin Electronics Ltd, Bombay (eletrical machinery and capacitors); Sahdev Tool Mfg. Corporation, Jullundur (handtools); Sai Giridhara Supply Co, Bombay (machine paper in roll); Sain Steel Products, New Delhi (bicycle parts); Southern Sea Foods Ltd, Madras (fish and fish products and chemicals and allied products); Suraj and Co, Bombay (cut and polished diamonds and imitation jewellery); Synthite Industrial Chemical (P) Ltd. Kerala (oleoresins of spices and oil ginger); Tata Consultancy Engineers., Bombay (consultancy services); The Travancore Mats and Matting Co, Cherthallai, South India (coir products): Union Bank of India, Bombay (export credit and export guarantee); Universal Dyestuff Industries Ltd, Gujarat (dyestuff and chemicals); The Western India Plywoods Ltd, Cannanore (plywood, furniture, hardboard) and Weston Electronics Ltd, New Delhi (transistor radios).

SEEPZ's Progress

Two units in SEEPZ, namely Clarostat and Saha Soshin, have bagged export awards for 1976-77. This is the first time any private firm in the electronics industry has got an export award. Clarostat, the first company to start production in SEEPZ was honoured for introducing new products in the export market and finding out new export markets. Saha Seshin received the award for bringing out a new product in the export market.

The total export from SEEPZ in 1977-78 was Rs 4.1 crores as against the 1976-77 figure of Rs 3.1 crores. Exports in the first two months of the current financial year (April and May) have already crossed Rs 70 lakhs. This has given hope to the SEEPZ authorities to set a higher target of Rs 10 crores for 1978-79.

Four new units namely Photophone, Intel Export, Devidayal and Tandon Magnetic have set up their units in SEEPZ in the current year bringing the total number of units in the zone to 26. The production by these four units has been over and Photophone has already started commercial export. SEEPZ authorities have cleared proposals for seven other companies with only four of them having foreign collaboration. Most of these companies are expected to commence operations by September 1978.

Encashment Facilities for Tourists

To provide broad based encashment facility to the tourists while in this country, the Reserve Bank has decided to permit all hotels holding restricted money-changer's licences to purchase foreign currency from any tourist irrespective of whether he stays in the hotel or not. Facilities for foreign tourists to encash their foreign currency are at present available with authorised dealers in foreign exchange, full-fledged money-changers and exchange bureaux functioning at airports/ports. Hotels who are holding restricted money-changer's licences issued

ne Reserve Bank have so far een permitted to purchase oreign currency freely from nly tourists residing in the espective hotels.

Hotels holding restricted noney-changer's licences issued by the bank have been advised to approach the concerned office of the Exchange Control department for obtaining necessary authorisation in this behalf.

Woollen Knitwear Decanalised

The governmert has decanalised knitwear (woollen and mixed). Export is now allowed under OGL-3 against contracts registered with Wool and Woollen Export Promotion Council. It has been decided that such contracts as had been already registered with Handicrafts and Handloom Export Corporation up to March 31, 1978 i.e. before the new policy was announced may be honoured as "pre-change" commitment and shipment may be allowed i.e. exporters need not have their contracts registered again with Wool and Woollen Export Promotion Council by virtue of their previous registration of contracts with Handicrafts and Handloom Export Corporation.

Record Export to EEC

Our exports to the nine-nation European Economic Community rose to a record level last year at 1,641 million European Units of Account (EUA); it was some 15 per cent higher than the 1976 figure of EUA 1,421 million. (The EUA was equal to $1.12 last year and to $1.14 in 1976.)

Imports rose somewhat faster, from EUA 1,140 million 1976 to EUA 1,395 million last year, an increase of some 22 per cent. As a result, India's trade surplus with the Common Market dipped to EUA 247 million (as against EUA 281 million in 1976). Even so, our exports to the EEC represented less than one per cent of the community's total imports from all third countries i.e. from outside the EEC.

Soviet Order for Texprocil

The Textile Export Promotion Council (TEXPROCIL) struck a deal with the Soviet textile delegation in Bombay for the supply of textile items worth Rs 11 crore. The Soviet delegation will negotiate with individual suppliers for the supply of about 18 million metres on the basis of the price decided with TEXPROCIL. The supply will be for the July-September period and it is expected that USSR will re-enter the market for supply of textiles beyond that period.

The annual trade plan between the two countries has provision for the supply of 60 million metres and the Russians had purchased about 44 million metres in October last. The bulk of the quantity under the October contract has been shipped. Exporters expect a real boom in the Russian demand in the next year for TEXPROCIL has decided to participate in the Moscow international fair. The idea is to acquaint the Soviet as well as other buyers from eastern Europe with the range and quality of fabrics that this country produces.

Monitoring of Sick Mills

The Reserve Bank of India has introduced a system of monitoring by the scheduled commercial banks of units having credit limits of one crore rupees or above from the banking system for initiating steps to rehabilitate them in case such units have potential viability. According to the instructions issued by the Reserve Bank, a unit can be considered sick for rehabilitation purposes if it has incurred cash losses for one year and in the judgement of the bank is likely to continue to incur losses for the current year as well as the following year, and which has an imbalance in its financial structure, such as ratio of less than 1:1 and worsening of debt-equity ratio. According to the latest available data, the number of such industrial units on September 30, 1977 was 270 involving an aggregate bank finance of Rs 773.70 crores.

IDA Assistance for Fruit Processing

The International Development Association (IDA), an affiliate of the World Bank, is providing a credit of $14 million for a project to improve the marketing and production of apples, walnuts. and establish a small research component for mushroom development in Jammu and Kashmir.

Jammu and Kashmir is the leading apple producing state in India, with an annual turnover of about $60 million. Walnut production in the state is estimated at 23,000 tons a year. Mushroom cultivation was introduced on an experimental basis 10 years ago. There are about 500 farmers producing 95 tons of mushrooms per year, mostly for canning by local processors. The $27.6 million project being assisted by IDA includes the construction of a plant to produce apple juice concentrate and the provision of improved marketing facilities, credit for crop production research and technical assistance.

The IDA credit to this country is for a term of 50 years, including 10 years of grace. It will be interest free, except for a service charge of 3/4 of one per cent per annum to meet IDA's administrative costs. The major portion of the proceeds of the credit will be channelled through the Agricultural Refinance and Development Corporation.

US Treasury Decision on Textiles

The US Treasury has determined that seven countries—Argentina, Brazil, Colombia, India, the Republic of China, the Philippines and Uruguay — are subsidizing their textile exports to the United States. The Treasury now has six months to negotiate an elimination of the subsidies with the governments involved. If no adjustments are made, the Treasury is required to assess an additional customs duty equal to the amount of the subsidy. The Treasury decision, announced on May 30, said the countries granted a variety of subsidies subject to US countervailing duties. These included regional aids, preferential export financing, special income tax benefits for export enterprises, and export subsidies.

Since the enactment of the most recent US trade law in 1974, the US government has had the legal authority to waive the application of countervailing duties under some circumstances. To do this, it would have to find that the subsidizing country was reducing its subsidy and that a countervailing action would "seriously jeopardise" the Geneva trade negotiations.

Under these conditions, the Carter administration would

have the authority to waive countervailing duties on the textile imports from the seven countries.

But this waiver expires in January 1979, and loss of this authority would eliminate any flexibility for the United States to work out bilateral arrangements in resolving specific subsidy and countervailing duty problems with individual governments.

Soviet Foreign Trade

The USSR's foreign trade turnover in 1977 amounted to 63,400 million roubles and rose by 11.6 per cent as compared with 1976.

In 1957, one per cent of the annual goods turnover increment amounted to about 70 million roubles, while in 1977 this one per cent increment has acquired the value of over 500 million roubles.

Last year, the Soviet Union maintained trade relations with 118 countries, socialist countries being the USSR's main trading partners, accounted for 57.3 per cent of the USSR's foreign trade turnover and the CMEA member-countries for 52.5 per cent.

USSR's 1977 trade turnover with the developing countries of Asia, Africa and Latin America in comparison with 1976, rose by 27.3 per cent and amounted to 8,400 million roubles. The share of these countries in the Soviet Union's foreign trade turnover rose from 11.5 per cent to 13.1 per cent. The largest trade turnover with third world was achieved with the following developing countries: India (900 million roubles), Iron (700 million roubles), Iraq (600 million roubles), Egypt (500 million roubles) and Brazil (300 million roubles).

The Soviet Union's trade turnover with the industrialised capitalist countries in 1977 amounted to 18,700 million roubles accounting for 29.6 per cent of the Soviet Union's foreign trade turnover.

In 1977 there were two events testifying to the attention paid in the USSR and Japan to problems of mutual trade and economic cooperation: the signing of a long-term agreement on goods turnover and payments between the Soviet Union and Japan for 1976-80, and the holding of the seventh joint conference of the Soviet-Japanese and Japanese-Soviet committees on economic co-operation. The natural wealth of Siberia and east Asia, the rapid development of these areas, and the high level of the industrial development of the Soviet Union and Japan have provided favourable prerequisites for stable and mutually beneficial collaboration.

The guidelines for the development of the National Economy of the USSR for 1976-80 envisage a 30-35 per cent increase in the volume of foreign trade. During the first two years of the tenth five-year plan, the increase amounts to about 70 per cent of the total trade turnover in the previous five-year Plan period.

Container Unit in Dubai

A container plant costing Rs 1.4 crores has been set up in Dubai by Balmer Lawrie, a unit under the administrative control of the ministry of Petroleum and Chemicals. The plant, set up on a turn-key basis for the Caltex organisation in Dubai will produce annually 1.7 million barrels and cans. The plant is expected to have a turnover of Rs 10.3 crores over the next five years. The plant was actually commissioned on the contractual date, i.e. February 1 this year, and was formally inaugurated at a function presided over by Mr H. N. Bahuguna on May 27. Impressed by the capabilities on Balmer Lawrie, the Abu Dhabi National Oil Company also has signed a formal contract with it for not only setting up a container complex similar to the one set up for Caltex, but also a lube oil blending complex. For the blending plant, Balmer Lawrie would be required to put up pipelines, pumps, valves, blenders and electronics controls and once blending process has been completed, provide for continuous filling facilities in packages of various sizes. The Rs 4.04 crores job is expected to be completed within one year. Balmer Lawrie is being assisted by Engineers India Limited, another undertakings of the ministry of Petroleum, Chemicals and Fertilisers and by Bridge and Roof Co, a subsidiary of Balmer Lawrie.

Names in the News

Lala Bansi Dhar has been elected new chairman of Punjab Haryana and Delhi Chamber of Commerce and

Lala Bansi Dhar

Industry at the 73rd Annual General Meeting of the chamber held on May 30, 1978,

Mr C. K. Hazari

and **Mr C.K. Hazari** deputy chairman.

Dr Prabhu Lal Agrawal has taken over as chairman of the Steel Authority of India Ltd. He succeeds Mr R. P.

Dr Prabhu Lal Agrawal

Billimoria. Dr Agrawal was till recently General Manager, Rourkela Steel Plant.

The restructured SAIL will have two Vice-Chairmen also. **Mr M.P. Wadhawan** till recently Director (Finance), SAIL will be Vice-Chairman (General) and **Mr A.C. Banerjee** till recently Director (Technical) will be the Vice-Chairman, (Technical).

Readers' Roundtable

Interest Tax and the 'Divisible Pool'

Sir, The interest tax is payable by a 'scheduled bank' under the Interest Tax Act, 1974 on interest earned by it on loans and advances made by it in India (other than loans and advances to 'scheduled banks') during a previous year preceding the assessment year at the rate of seven per cent. The 'Chargeable interest' is computed in accordance with the provisions of sections 2(5)(7), 5 and 6 of the Act and no deduction of any kind is allowed while determining the 'Chargeable interest'. Relief is, however, granted in respect of an amount of interest (assessed to interest-tax earlier) becoming a bad debt in a subsequent previous year. In other words, interest tax is a charge on gross interest receipts except in a case where the taxable amount of interest is reduced by an irrecoverable amount of interest. The levy is in force from the assessment year 1975-76, and the Finance Bill, 1978 introduced in the Lok Sabha on February 28, 1978 along with the central budget for 1978-79 proposed to withdraw the same after February 28, 1978.

Liable Banks

The 'scheduled banks' liable to interest-tax imposition are (a) State Bank of India and its seven subsidiary banks, (b) 14 nationalised banks, (c) 14 state cooperative banks and (d) 53 banking companies including 13 foreign banks. And they are either statutory corporations or cooperative societies or companies.

The interest tax receipts are shown in the central annual budget under the head 'Other Taxes on income and expenditure' and the following information in relation thereto are disclosed by the budgets as presented to parliament :

(Rs crores)

1975-76	Accounts	58
1976-77	Accounts	71
1977-78	Revised Estimates	115
1978-79	Budget Estimates	22
	Total	266

(The receipts appearing undes the aforesaid head are entirely on account of Interest Tax according to the 'explanatory memoranda on the budgets'.)

Tax on Interest

An interest receipt is an income receipt and any tax on interest is a tax on income. Tax on interest under the Interest Tax Act is, therefore, a tax on income though charged on gross interest receipt which, in turn, is nothing but an income receipt. The difference between the tax levy on interest under the Interest Tax Act and the tax levy on business income from interest under the Income-tax Act, in the case of a 'scheduled bank', lies in the method of computation of interest—the tax base. Whereas no deduction, except irrecoverable interest, is permissible under the Interest Tax Act in calculation of 'Chargeable interest', a number of deductions are allowed under the Income Tax Act while determining the taxable business income from interest.

It may be pointed out that, where a person lends or deposits his own money on interest and no expenditure of any kind is incurred by him against the interest income, the gross amount of interest receipt is liable to charge of tax under the Income Tax Act, whether assessed under the head 'Business or profession' or 'Other source'. Further the exhibition of the interest tax receipts under the head 'Other Taxes on income and expenditure' in the budget is also indicative of the fact that the said levy is a tax on income and the same is to be treated as such in terms of the constitutional provisions.

Various Levies

A tax levy on income by the union may be : (a) Corporation Tax—Item No. 85 of the Union List in Seventh Schedule to the Constitution; or (b) Taxes on income other than agricultural income—Item No. 82 of the Union List in Seventh Schedule—(referred to in the budget as, and shown under the heading, 'Taxes on income other than corporation tax'; the revised accounting classification introduced in 1974-75 continuing with the said old description.

The 'Corporation Tax' is payable by companies and must satisfy the conditions laid down by Article 366(6) of the Constitution. 'Taxes on income other than Corporation Tax' are payable by natural persons or legal/artificial persons (not being companies) or companies where the tax levy does not satisfy the requirements of Article 366(6) and the same not being treated as 'Corporation Tax.' While the entire 'Corporation Tax' collections are retained by the union, the 'Taxes on income other than Corporation Tax (excluding union surcharg of course) and not attributab to union emoluments union territories go into th 'Divisible pool' between th union and states. It may b noted that both types of ta levies on income are n chargeable on agricultura income.

The Implication

Now the budget does n place the interest tax receip under the head 'Corporatio tax' nor under the head 'Taxe on income other than Corpora tion Tax' thereby implying tha the said tax collections are n to be retained by the unio in its entirety (by treating th same as Corporation Tax) n assigned to states by puttin the same in the 'Divisib pool' otherwise. The intere tax collections are, howeve shown under the captio 'Other taxes on income an expenditure' and the same a retained by the union entirel The aforesaid head was inser ed at the time of introductio of revised accounting class fication, as is evident from th budget of 1974-75 presente to parliament on Februa 28, 1974, when there w no levy in force by way of ta on income other than as show under the title 'Taxes on incon other than Corporation Tax or any tax on expenditure.) is difficult to understand wh empowers the union to ke to itself the entire intere tax collections while t same, though a tax on incon (and considered as such f budgetary purpose by placi the same under the head her in-before referred, of cours is not treated as, and exhibi ed under the title, 'Corpor tion Tax'.

In the light of above-refe

ed-to discussion that the nterest tax levy is a tax on ncome, the same, in the case f a 'scheduled bank', being company incorporated/re-istered under the Companies Act and engaged in banking usiness and further included n the second schedule to the Reserve Bank of India Act, 934, has got to be treated as Corporation Tax' since the Interest Tax Act does not con-ain any provision which may be considered as being in vio-ation of any of the conditions prescribed by Article 366(6) of the Constitution in relation to 'Corporation Tax'. And as regards the other categories of 'Scheduled banks' (State Bank of India and its 7 Subsidiary banks, 14 nationalised banks and 14 state cooperative banks liable to interest tax levy, the same, being statutory corporations or co-operative societies, are not companies and the interest tax levy in those cases (except tax attri-butable to union territoreis) would, therefore, go into the 'Divisible pool' between the union and states.

Shared Tax

It is, however, observed that at present, income tax levy and collection thereof under the Income Tax Act alone is being shared by the union with the states under Article 270 of the Constitution in pur-suance of the Constitution (Distribution of Revenues) Order, 1974 (C.O. 96), publi-shed in the Gazette of India date March 20, 1974, in the routine course while the entire interest tax receipts are being retained by the union irres-pective of the fact whether the 'Scheduled bank' paying the tax is a banking company or any of the banking institu-tions referred-to-above.

In terms of Item 82 of union list in the Seventh Schedule to the Constitution and reading as: 'Taxes on in-come other than agricultural income', the union is em-powered to levy more than one tax on income, and the same are shareable with the states under Article 270. The President's order of 1974 (and the earlier ones issued since 1950 as well) issued under the said article contemplates the distribution of a single tax on income or more than one tax on income, as the case may be, in view of the use of the ex-pression 'Taxes on income' in the order and also because of applicability of the General Clauses Act, 1897 for inter-pretation of the said order as per Clause 2 of the same; the President's order applies to collection of taxes during each of the financial years from 1974-75 to 1978-79. It may also be pointed out that said expression 'Taxes on income' also finds place in the recom-mendations of the Sixth Finance Commission with res-pect to distribution of taxes on income between the union and states (and on which is based the President's order) as contained in its report dated October 28, 1973 alike the recommendations of the previous finance commissions.

Divisible Pool

Since the interest tax levy is a tax on income, the same, as is collected by the union from State Bank of India and its seven subsidiary banks, 14 nationalised banks and 14 state co-operative banks, has got to be shared with the states just like, and along with, the income tax receipts under the Income Tax Act in accordance with the provisions of the President's order of 1974. It may be noted that, in the past, the excess profits tax/business profits tax, a tax levy on income under the Excess Profits Tax Act/Business Profits Tax Act, and which re-mained in force till March 31, 1946/March 31, 1948, collected from non-company tax-payers by the union after 1950 would also go into the 'Divisible pool' for distribution between the union and the states in the same manner as income tax collections under the In-come-tax Act, 1922/1961.

States' Share

The interest tax receipts for the four years 1975-76 to 1978-79 are Rs 266 crores as mentioned earlier. The states' share in the 'Divisible pool', as recommended by the Sixth Finance Commission and as provided in the President's order of 1974, is 80 per cent, and the same may be esti-mated at Rs 160-170 crores out of the aforesaid gross receipts; the states' share of the net proceeds of tax in the 'Divisible pool' (after ex-cluding interest tax payable by banking companies, being cor-poration tax, from the total interest tax collections) takes into consideration cost of collection, interest tax receipts attributable to union territories and union's retention of 20 per cent.

The Seventh Finance Com-mission, while making its re-commendations under Article 280 of the Constitution with respect to sharing of taxes on income other than agricultural income (not being corpora-tion tax or union surcharge) by the union with the states under Article 270, may consi-der and discuss, in specific terms, the above-referred-to problem of interest tax levy, collection and distribution thereof between the union and the states (and which problem is being raised for the first time) though not mentioned as such, quite obviously, in the refer-ence to the commission under Article 280. It may be noted that the commission is requir-ed to make recommendations to the President, inter alia, as to the distribution between the union and the states of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I of Part XII of the Constitution, and the tax-es liable for distribution in-clude 'Taxes on income other than agricultural income' (and not being corporation tax or union surcharge) and the latter, in turn, cover interest tax levy as discussed earlier.

The Collection

The Finance Commission's recommendations would apply to the taxes collected during the financial years 1979-80 to 1983-84. And, in spite of the fact that the interest tax levy is proposed to be withdrawn after February 28, 1978, there would be interest tax collec-tions (small of course) in 1979-80 and subsequent years for reasons of (a) Interest earned upto February 28, 1978 during a bank's previous year ending on December 31, 1978/ June 30, 1978 shall be subject to taxation in assessment year 1979-80 (b) Disposal of some old interest tax cases in 1979-80 and subsequent years and also collections of interest-tax arrears in those years.

I communicated my views to the president on the union annual budget and various aspects thereof viz., (a) proper compliance of the provisions of Article 112 of the Constitu-tion while presenting the bud-get to the two houses of Par-liament; (b) manner of present-

ing the budget, (c) 'tax revenue' receipts head, (d) 'taxes on income other than corporation tax' and 'Union excise duties' receipts and manner of disclosure thereof and (e) interest tax levy and the divisible pool, in my letter dated September 26, 1977. A suggestion was also made therein for making a supplementary reference to the commission on sharing of interest tax collection by the union with the states but the same does not appear to have been done so far. The commission may, therefore, ask the President for the supplementary reference on the aforesaid matter just as was done by the Fifth Finance Commission for inclusion of advance income tax collections in the 'Divisible pool' in the year in which they are collected instead of deferring the distribution thereof till the completion of regular tax assessments in the subsequent years. The reference should cover the interest tax levy from the very beginning.

Incidentally, a mention may also be made of the Finance minister's announcement to withdraw the interest tax levy after February 28, 1978 and the estimated revenue loss of Rs 108 crores therefrom. In my view, the centre would rather stand benefited to the tune of more than Rs 20 crores as a result of the said budget proposal. The interest tax payable by a bank is allowed as a deduction in computation of its total income for tax assessment purposes under the Income Tax Act, in the absence of any interest tax charge there would be no relief on this account and taxable income of the banks would consequentially go up leading to higher tax collections from them under the Income Tax Act, and the additional gain to the revenue in this behalf may be estimated at more than Rs 60 crores. And further, on the withdrawal of interest tax imposition, there would not be any collection on that account and as such no transfer to, and inclusion in, the 'Divisible pool' of any amount on account interest tax levy for distribution between the union and the states; the saving to the union here again may be estimated at more than Rs 6 crores.

R.L. Khosla

Amritsar

The concluding part of this letter may be read with Mr Amarjit Singh's letter published in the issue of *Eastern Economist* of April 21 (page 801), which was a critical comment on the views expressed by Mr Khosla in a letter published in the *Eastern Economist* of April 7, page 708.

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COMPANY AFFAIRS

Central Bank

CENTRAL BANK of India's total deposits at the end of 1977 were placed at Rs 1641.50 crores, a rise of Rs 173.75 crores over that of 1976. The aggregate deposits per office of the bank also improved from Rs 93 lakhs in 1976 to Rs 99 lakhs in 1977. The year witnessed an increase of 8.28 lakhs in the number of deposit accounts. The addition of 544 accounts per branch was the highest achieved by the bank so far.

Mr P.F. Gutta, chairman and managing director of the bank, has stated that in consonance with the policy of the Reserve Bank, the bank had pursued a controlled credit policy. Thus gross credit expanded by Rs 11.81 crores to Rs 1092.32 crores indicating the credit expansion during 1977 at a much lower pace than in the banking system as a whole.

As a deliberate policy, well over 80 per cent of the incremental resources were deployed in the priority and neglected sectors. The credit deposit ratio was brought down from 82 per cent at the end of 1976 to 72.1 per cent by December 1977, a contraction of 9.9 percentage points against the reduction of 6.1 percentage points in the banking system as a whole. The credit flows towards priority sectors rose to 24.8 per cent at the end of 1977 as against 22.8 per cent a year before with the outstanding loans in these sectors having moved up to Rs 206.08 crores at the end of 1977.

The bank opened 104 branches in 1977 taking the total number of branches to 1,523 (including one in London). Of these 89 branches were opened in rural and semi-urban areas.

The bank earned a net profit (after making all usual and necessary provisions) of Rs 1.43 crores against Rs 1.40 crores in 1976. A sum of Rs 98 lakhs against Rs 96 lakhs was transferred to general reserve and Rs 45.02 lakhs against Rs 44.45 lakhs were paid to the central government.

The bank is setting up a separate industrial finance department for monitoring sickness of the industrial units financed by it. The IDBI and other financial institutions have cleared a large soft loan to the Kohinoor Mills Company which is currently being run by professional management under the supervision of the bank.

British Paints

The performance of British Paints (India) Ltd for the year ended December 31, 1977 has been particularly satisfactory as the volume of sales increased by 10 per cent over 1976 and the value was higher by 20 per cent. Profit after providing depreciation at Rs 8.54 lakhs comes to 1.37 crores. Provision for taxation takes Rs 92 lakhs leaving a balance of Rs 45.32 lakhs. An amount of Rs 22.20 lakhs is transferred to general reserve. The directors have provided Rs 23.15 lakhs for dividend to be paid at the rate of 17 per cent on the ordinary share capital of the company.

The sales mix of the products of the company showed improvement and it was successful in enlarging its sales of speciality products and superior quality coatings involving higher technology. The company's sales for the first four months of the year 1978 also showed satisfactory improvement and its directors are hopeful that, barring unforeseen circumstances, this year's performance too should turnout to be encouraging.

Ahmedabad Advance

According to its chairman, Mr Naval H. Tata, Ahmedabad Advance Mills has done better during the first five months of the current year (January to May 1978) than its working in the same period of the previous year.

The chairman told the shareholders at the annual meeting of the company held recently in Bombay that barring unforeseen circumstances the company expected to produce better results during the current year.

The main reason for the expected good result of the company is the substantial improvement brought about in the working of both textiles and metals divisions. The working of the metals division had improved considerably since last year which was mainly responsible for the good result of 1977.

Mr Tata said that the company was examining various proposals for diversification. One such scheme which was being actively pursued by the company was in the field of metallurgy.

Bharat Commerce

The total sales of Bharat Commerce and Industries Ltd rose by four per cent to Rs. 55.54 crores in the year ended December 31, 1977. The directors believe profitability would have been better but for the stoppage of work as a result of illegal strikes in two units of the company, uneconomical sales prices of yarn and unsatisfactory performance of the fabric, exports as well as garment divisions.

The company's gross profits for the year under review are placed at Rs 1.12 crores. Rs 72 lakhs go towards depreciation. Investment allowance reserve takes Rs 14 lakhs and income tax for previous years Rs 14,000. After transferring Rs 1.50 lakhs from general reserve, an amount of Rs 29.18 lakhs is provided for dividend distribution. No provision was required to be made for taxation for the year under review.

Dividend for 25 lakh equity shares at rupee one per share of Rs 10 each takes Rs 25 lakhs. The 20,000 second redeemable cumulative preference shares of Rs 100 each at 9.3 per cent per annum get Rs 1.80 lakhs and the 25,000 third redeemable cumulative preference shares of Rs 100 each at 9.5 per cent per annum get another Rs 2.37 lakhs. Twenty thousand second redeemable cumulative preference shares of Rs 100 each were redeemed on December 21, 1977.

The directors report that all the spinning units operated efficiently. While the company's other departments were facing difficulty, the production of yarn had increased in 1977 and is expected to further rise i

978. During the year under ference the company had troduced a wide range of ewing threads under various rand names which, the direc-ors say, have been well receiv-d in the market. With steps eing taken for the improve-ment of productivity and narketing, the directors hope here will be higher turnover nd profitability during 1977. The company has got itself egistered under sec. 26 of the Monopolies and Restrictive Trade Practices Act as assets exceed Rs 20 crores.

Usha Martin Black

A gross profit of Rs 1.26 crores was earned by Usha Martin Black (Wire Ropes) Ltd for the year ended December 31, 1977. With provision for depreciation at Rs 31 lakhs, investment allowance at Rs 5.5 lakhs and provision for taxation at Rs 35 lakhs, the net profit is assessed at Rs 55 lakhs. With the addition of written back amounts, Rs 64 lakhs are available for appropriations. General reserve is allotted Rs 35 lakhs and Rs 29 lakhs have been allocated to dividend. Cumulative redeemable A, B and C preference shares get Rs 4.5 lakhs and equity shares of Rs 10 each at the rate of 10 per cent are allocated Rs 24.28 lakhs.

The directors report all round improvement in its production and turnover. The company continues to be the largest exporter of steel wire-ropes though export sales in 1977 were a shade lower at 44 million as against Rs 45 million in the previous year.

The company has got an industrial licence for the manufacture of 50,000 tonnes of wire rods annually at Jamshedpur for which erection work is in progress. Steps are being taken for the implementation of the industrial licence granted to the company for the manufacture of 1,300 tonnes of large diameter wire ropes at the Ranchi factory. The company has signed a protocol with a Yugoslav company for establishing a joint venture in Yugoslavia to manufacture 5,200 tonnes of steel wire ropes annually.

Enfield India

There has been an improvement in the working of Enfield India Ltd. The company had been passing through bad times between 1975 and 1977 as a result of severe labour trouble, technical difficulties relating to light-weight motor cycles and paucity of working capital. It is now showing signs of turning the corner.

The company has now found answers to these issues, and there may not be any cash loss for the year ending June 30, 1978. The management believes that accumulated losses would also be wiped out in the next two or three years.

For the year ended June 30, 1977 sales and other income totalled Rs 12.74 crores (against Rs 20.67 crores for the 18 months ended June 30, 1977). The loss for the year was Rs 3.44 crores (Rs 46.21 lakhs). After adjustments, the loss carried over to next year was Rs 3.37 crores (Rs 7.05 lakhs).

The turnover for the quarter ending June 1978 is estimated at Rs 4.78 crores with the Tiruvattiyur unit accounting for over 60 per cent of the total sales.

The higher output is being quickly absorbed and it is expected that the turnover for 1978-79 would be around Rs 20 crores against slightly over Rs 10 crores in 1977-78. Negotiations are also under way for securing technical know-how for diversifying production and introducing new types of motor cycles. The secured loans against blocked inventories are being converted into term loans on a lower interest basis, while the Tamil Nadu government had agreed to grant a moratorium in respect of remittance of sales tax up to March 31, 1978. Repayment of long term loans have also been rephased. With the assurance of an easier flow of funds and more responsive cooperation from the erstwhile striking labour, there was a smart rise in production in all the three divisions of the company's unit at Tiruvattiyur and Anaikaraipatti from March 1978. It may be recalled that due to labour trouble in July-August a lockout had to be declared for nearly six months in the Tiruvattiyur division.

Dunlop India

The directors of Dunlop India Ltd have recommended for the year 1977 a dividend on the ordinary shares at the rate of 80 paise per shares of Rs 10 each subject to deduction of tax, which will absorb Rs 119.97 lakhs.

The dividend for the year-ended December 31, 1977 on the guaranteed cumulative preference shares amounting to Rs 2.4 lakhs was paid on

The Delhi Cloth & General Mills Co. Ltd.

Regd. Office ; Bara Hindu Rao, Delhi.

NOTICE

It is hereby notified for the information of the public that The Delhi Cloth & General Mills Co. Ltd., proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for the establishment of a new manufacturing activity for the production, supply, distribution or control of Synthetic Cresols with an installed capacity of 5000 TPA and estimated turnover of Rs. 10.74 crores. Other particulars of the proposed undertaking are as under :—

1.	Name of the proposed undertaking	: The proposed manufacturing activity will be undertaken by The Delhi Cloth & General Mills Co. Ltd.
2.	Names of persons or authority/ authorities proposing to establish the new undertaking. Where it is a body corporate, furnish details of its management structure together with those of the proposed undertaking.	: The Delhi Cloth & General Mills Co. Ltd. will be the proprietors of the proposed manufacturing activity and is managed by Managing Directors.
3.	Capital structure of the applicant/person of authority and of the proposed undertaking.	: The capital structure of The Delhi Cloth & General Mills Co. Ltd. as on 30th June, 1977 Authorised : Rs. 50,00,00,000 issued, subscribed : Preference : Rs. 2,17,23,550 Equity : Rs. 17,40,32,363 Total : Rs. 19,57,55,913
4.	Proposed location of the new undertaking	: Tehsil : Kota Distt. : Kota State : Rajasthan
5.	Brief outline of the cost of the project, the scheme and source of finance	: The estimated cost of the project will be about Rs. 9.6 crores, which is proposed to be financed by company's own resources and supplemented by borrowings from financial institutions and banks.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Dated : 31.5.1978

(ONKAR NATH)
SECRETARY.

uly 1, 1977 and January 2, 978. The dividend due on nd Cumulative Preference hares for the year ended December 31, 1977 amounts to Rs 22 lakhs.

The totol income of the company for the year under mention was Rs 167.15 crores compared with Rs 174.81 crores in 1976. The decrease was due partly to lower volume of sales and partly to price reductions in some products.

Lower Balance

The balance from trading was lower than in the previous year due to increased costs and extremely competitive conditions particularly in the truck tyre market where substantial under-utilisation of capacity had a serious impact on industry's profitability.

Depreciation charge for the year was Rs 249 lakhs compared with Rs 218 lakhs in 1976, reflecting higher capital expenditure during the year. Interest charges at Rs 490 lakhs were Rs 75 lakhs higher than in the previous year, mainly due to increased borrowings to finance higher working capital throughout the year. Taxation charge on the year's profit were Rs 11.65 lakhs but this was more than offset by a write-back of Rs 59.64 lakhs in respect of over-provisions for previous years.

Transfer to investment allowance reserve was Rs 54.37 lakhs compared with 44.36 lakhs in the previous year whilst an amount of Rs 26.75 lakhs, representing the write-back of the transfer to development rebate reserve made in 1968 on the expiry of the statutory eight-year period during which this reserve has to be maintained, has been transferred to the profit and loss account.

After providing for taxation, effecting the above transfers and including Rs 2.43 lakhs, being the profit on sale of assets, the balance of profit amounts to Rs 145 lakhs compared with Rs 390 lakhs in the previous year.

Pursuant to a resolution passed in the annual general meeting held in 1976, and consequent upon receipt of the approval of the Controller of Capital Issues, the company issued 3,30,000 ordinary shares of Rs 10 each at a premium of Rs 4.50 per share to the Life Insurance Corporation of India and some other financial institutions in the ratio of their commitment to subscribe to the company's proposed issue of debenture stock amounting to Rs 1.17 crores and in lieu of their option to convert any part of the above debenture into share capital.

As a result the paid-up ordinary share capital of the company increased to Rs 15 crores whilst Rs 14.85 lakhs was added to the share premium account which now stands at Rs 65.18 lakhs. Depreciation reserve and revaluation reserve remain unchanged at Rs 1.04 crores and Rs 5.52 crores respectively.

Maneklal Mills

The chairman of Maneklal Harilal Mills, Mr Navnitlal Ranchhadlal says that in view of the past good experience of modernisation and renovation programme which had paid rich fruits in increasing profitability the management has decided to pursue this policy further in the interest of the company. At present the company is replacing its old looms by new looms with a wide width.

Addressing the annual general meeting of the company in Ahmedabad recently, the chairman said that the sales of the company has been affected to some extent in the first four months of the current year due to unsettled conditions of the cloth market and failure of a few parties in honouring their commitments.

However, the position has improved now and the demand for company's products have also begun to pick up. The sales in the first four months were slightly lower at Rs 4.78 crores as compared to Rs 4.81 crores in the corresponding period of the previous year. He assured the shareholders that the management will make every possible efforts to continue its present liberal policy of dividend distribution and bonus issue recommendation.

Indian Hotels

Indian Hotels Co has shown excellent working results for the year ended March 1978. The turnover, gross profit and margins have registered striking improvements. This has enabled the directors to step up the dividend on the company s ten-rupee equity shares from Rs 2 to Rs 2.50 per share. A part of the dividend will be exempt from income tax.

The company's total revenue has risen by about 29.2 per cent from Rs 10.77 crores in 1976-77 to Rs 13.92 crores, and the gross profit has shot up by about 80.5 per cent from Rs 2.31 crores to Rs 4.17 crores. The ratio of gross profit to revenue has improved from 21.4 per cent to 29.9 per cent.

Out of the gross profit depreciation claims Rs 53.50 lakhs (Rs 51.76 lakhs), investment allowance reserve Rs 3.50 lakhs (nil), and taxation Rs 1.94 crores (Rs 75 lakhs) leaving a disposable surplus of Rs 1.60 crores against Rs 1.54 crores. The proposed dividend absorbs Rs 68.12 lakhs against Rs 55.52 lakhs.

Svadeshi Mills

The Svadeshi Mills Co Ltd has fared much better in the first four months of 1978. Judging by this performance, Mr Naval H. Tata, chairman of the company, has expressed the hope that the results for 1978 as a whole would be better than those for 1977.

The chairman thinks it will be possible for the company to maintain the quantum of dividend in the current year. The company is paying a dividend of 20 per cent for 1977. The capital is proposed to be raised to Rs 151.25 lakhs by the issue of bonus shares in the ratio of one share for every four shares held. Maintenance of the dividend amount of Rs 24.20 lakhs would mean a dividend rate of 16 per cent on the increased capital.

Mr. Tata told shareholders that it is proposed to make Coromandel Garments Ltd, a wholly owned subsidiary of Svadeshi Mills. Nearly 50 per cent of the capital of Coromandel Garments is already held by Svadeshi Mills.

The chairman has stated that it has submitted plans to the government to set up a project for the manufacture of polyester staple fibre. The capacity of the plant will be 15,750 tonnes. According to Mr Tata the company is prepared to set up the project in cooperation with the government.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under he Industrial (Development and Regulation) Act 1951 during he month of April, 1978. The list contains the names and ddresses of the licensees, articles of manufacture, types of cences—New Undertakings (NU), New Articles (NA), Substan-al Expansion (SE), Carry on Business (COB), Shifting and Annual Installed Capacity. Details regarding licences and letters f intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Non-Ferrous)

M/s Bharat Containess Pvt. Ltd., Cecil Court, Lansdowne Road, Apollo Bunder, Bombay-400001 (Ahmednagar-Maharashtra)—Aluminium Seamless Bottles and Rigid Containers of 500 M.L. and above—17.6 million pieces equivalent to 2100 tonnes—(UN)

Prime Movers

M/s Ruston and Hornsby (India) Ltd., 1, Dr V.B. Gandhi Marg, Bombay-400001 (Poona-Maharashtra)—Diesel Engines (in the range of 100 to 500 HP) —2000 Nos. (within their overall existing capacity)—(NA)

Electrical Equipment

M/s Keltron Rectifiers Ltd., Ushus, Guruvayur Rd., Punkunnam, Trichur-680002 (Kerala) (Trichur-Kerala)—Silicon Power Rectifiers and Diodes (less than 30 Amps)—3,00,000 Nos. Silicon Power Rectifiers and Diodes (above 30 Amps)—20,000 Nos—(NU)

M/s Simco Meters Ltd, Meter Factory Road, Post Box No 46, Tiruchirapalli (Tamilnadu) Tiruchirapalli—Tamilnadu)—High Energy Batteries (Silver Oxide (Zinc)—800 Nos—(NA).

M/s Rajasthan State Industrial and Minerals Dev. Corpn. Ltd, 100, Jawaharlal Nehru Marg, Jaipur-302004 (Udaipur-Rajasthan)—Bimetal Strips—53 TPA—(NU)

M/s Tata Burroughs Ltd, Bombay House, Homi Mody Street, Fort, Bombay-400023 (SEEPZ—Maharashtra)—Serial Printers and Handlers—6000 Nos. IC Packaging and Assembly for Computer Systems—9 million Nos—(NA)

Transportation

M/s Godrej and Boyce Mfg Co Pvt Ltd, Godrej Bhavan, Home Street, Fort, G.P.O. Post Bag 10123, Bombay-400001 (Bombay-Maharashtra)—Forklift trucks (Diesel/battery operated) 1 to 10 ton capacity—475 Nos

M/s Gabriel India Ltd, Agra Road, Mulund, Bombay-80 (Parwanoo—HP)—Bimetal Strips—800 tonnes. Bimetal Bearings —6 million Nos—(NU)

Industrial Machinery

M/s Needle Roller Bearing Co Ltd, Pokharan Road No 2, Majiwada, Thana-400606 (Aurangabad-Maharashtra)—Loose Needle Rollers—200 million Nos (Addl)—400 million Nos (After expn), Needle Roller Bushes/Needle Roller Cages—1.6 million Nos (Addl)—3.6 million Nos (After expn) Needle Thrust Bearing combined Needle Bearings—1 million Nos—NA/SE)

M/s Suessen Textile Bearings Ltd, National Highway No 8, Post ONGC, Baroda-390009 (Baroda-Cujarat)—Top arms complete with top rollers and apron guiding devices (cradles) for worsted drafting system—15,000 sets within the existing licensed capacity—(NA)

M/s Sarabhai Machinery, Ranoli-391350, Distt Baroda (Gujarat) (Baroda-Gujarat)—Vacuum Dryers, Sterilisers, S.S. Reaction Kettles, Forced Draught Dryers, Evaporators, Special Condensers, Packing and Filling Machines, Vial and Bottle Washing Machines, Distillation Stills (Columns), Fractionating Columns, Vacuum Concentrators, Rotary Drum Dryers, Crystallisers Neutralisers, Agitators and Stirrer Vessels, Evaporation Pans, Pressure Filters and Filter Boxes, Absorption Towers, Unscramblers Vial Brushing Machines, Phyogen Free Distilled Water Tanks, Double Cone Blenders, Equipment for Fertiliser Industry. **New Article**: Vessels, High Pressure Vessels, Heat Exchangers —Total capacity 5,000 tonnes (after expn)—(NA/SE)

M/s Indo-Burma Petroleum Company Ltd, Gillander House, Netaji Subhas Road, Calcutta-700001 (Mombay-Maharashtra)—Cryocontainers—4,000 Nos—(NA)

M/s Indo-Burma Petroleum Company Ltd, Gillander House, Netaji Subhas Road, Calcutta-700001 (Bombay-Maharashtra)—Freeze Drying Plants—30 Nos—(NA)

M/s Asian Bearings Ltd, 14-Peters Road, Madras-600014 (Dharampuri-Tamilnadu)—Ball Bearings—25,00,000 Nos, Cylindrical Roller Bearings—7,00,000 Nos, Needle Roller Bearings—4,00,000 Nos, Spherical Roller Bearings—2,00,000 Nos, Tapered Roller Bearings—10,00,000 Nos, Bali Thrust Bearings—2,00,000 Nos—(NU)

Miscellaneous Industries

M/s Dagger Forst Tools Ltd, First Pokhran Road, Thana-400606 (Aurangabad-Maharashtra)—Spline Mandrels—1,500 Nos, Master gears—750 Nos, Serrated rollers—750 Nos—(NU)

Industrial Instruments

M/s Detriv Instrumentation and Electronics Pvt Ltd, 28, Gulmarg, Nepean Sea Road, Bombay-400006 (Tarapur-Maharashtra)—Resistance Thermometer Elements (Glass and Ceramic only—30,000 Nos, Compensating Cables—5,00,000 Metres, Mineral Insulated Thermo-couples—40,000 Metres, Copper Clad Wires—25,000 Kgs—(NU)

Dr H.N. Nanjundiah, 'Sumana', 19-Mahant Layout, Bangalore-19 (Bangalore-Karnataka)—Watch Jewels—60,00,000 Nos —(NU)

Chemicals (Other than Fertilisers)

M/s Gwalior Air Products Ltd, 105, Tansen Nagar, Gwalior-474003 (Morena—M.P.)—Dissolved Acetylene Gas—0.10 MCM (Additional)—0.20 MCM (After expansion)

M/s United Oxygen Co (Pvt) Ltd, 52-Mira Society, 39, Shankarseth Road, Poona-9 (Bangalore-Karnataka)—Oxygen—1 MCM (after expn). Dissolved Acetylene Gas—0.20 MCM (after expn), Nitrogen Gas—0.30 MCM (after expn)—(SE)

M/s Quinn Chemicals India Pvt Ltd, 3-6-307/1, Old M.L.A. Qrs. Rd., Hyderguda, Hyderabad-500001 (Medak—Andhra Pradesh)—Leather Finishes—1000 tonnes—(NU)

M/s Baroda Industrial Gas Pvt Ltd, 30, Netaji Subhas Marg, New Delhi-110002 (Baroda-Gujarat)—Nitrogen Gas—0.50 MCM —(NA)

M/s Kanoria Chemicals and Industries Ltd, 16A, Brabourne Road, Calcutta—700001 (Mirzapur-U.P.)—Potassium Hydroxide (Caustic Potash)—5,000 tonnes within the overall licensed/approved capacity for Caustic Soda—(NA)

M/s Paushak Ltd, Alembic Road, Baroda-390003 (Panchmahal-Gujarat)—Oxygen Gas—0.20 MCM—(NA)

Dyestuffs

M/s Amar Dye-Chem Ltd, Rang Udyan, Sitladevi Temple Road, Post Box No 6471, Mahim, Bombay-400016 (Bulsar-Gujarat)—Salicylic Acid—600 tonnes, Acetyl Salicylic Acid—300 tonnes—(NA)

M/s Colour Chem Ltd, Ravindra Annexe, Dinshaw Vachha Road, 194, Churchgate Reclamation, Bombay-400020 (Thana-Maharashtra)—Speciality Dyestuffs for leather industry —250 tonnes—(NA)

Drugs and Pharmaceuticals

M/s Ranbaxy Laboratories Ltd, 78, Nehru Place, New Delhi-1100024. (Ropar-Punjab)—Nitrazepam—2 tonnes—(NA)

Textiles

M/s The Rajalakshmi Mills Ltd, Uppilipalayam, Singanallur Post, Coimbatore-641005 (Coimbatore-Tamil Nadu)—Cotton Yarn/Staple Fibre Yarn—25,000 spindles (after expansion)—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Vishnu Forge (Mysore) Pvt Ltd, 107, Rajamalal Vilas Extension, Bangalore-560006 (Mysore-Karnataka)—Open forgings—600 tonnes (within the overall licensed capacity of 1500 tonues of closed die forgings of alloy and carbon steel)—(NA)

M/s Star Steel Pvt Ltd, Opp Makarpura Rly Stn, Maneja, Baroda-391710 (Baroda-Gujarat)—Re-rolling of Steel into Bars, Rods, Flats and Angles etc—32,000 tonnes—(NU)

Prime Movers

M/s Eicher Tractors India Ltd, 16, Asaf Ali Road, New Delhi-110001 (Alwar-Rajasthan)—Diesel Engines of 2,000 RPM and above, in the range of 3 to 12 H.P.—3,000 Nos—(NU)

Electrical Equipment

M/s Karnataka State Electronics Development Corporation Ltd, "Emlyn Haven", 30, Race Course Road, Bangalore-560001 (Bangalore-Karnataka)—Professional grade high quality polysterene capacitors—2 million Nos—(NU)

M/s United Electrical Industries Ltd, Pallimukku, P.B. 87, Quilon (Kerala) (Quilon-Kerala)—Carbon Film Resistors—30 million Pcs. (Addl)—50 million Pcs. (After expansion)—(SE)

M/s United Electrical Industries Ltd, Pallimukku, PB 87, (Quilon-Kerala) (Quilon-Kerala)—Plastic Film Capacitors—15 million Pcs (Addl)—25 million Pcs (After expansion)—(SE)

M/s Mysore Lamp Works Ltd, Old Tumkur Road, Malleswaram West PO, Post Box No 1209, Bangalore-560055 (Bangalore-Karnataka)—Glass Shells for GLS Lamps—20 million Nos, Glass Shells for Fluorescent Tubes—5 million Nos—(NA)

M/s Punjab State Electronics Development and Production Corpn Ltd, Bank of India Bldg, 2nd Floor, Bank Square, Sector-17, Chandigarh (Rupnagar-Punjab)—Nickel Cadmium Cells/Batteries (Rectangular Button and Cylindrical type and defence grade)—10,00,000 Nos—(NU)

M/s J&K State Industrial Development Corporation Ltd, Haft Chinar, Srinagar (Kashmir) (J & K)—Connectors—1 million Pcs—(NU)

M/s Purolator India Ltd, 1, Sri Aurobindo Marg, Hauz Khas, New Delhi-110016 (Solan—HP)—Battery Separators (Paper type)—10 million Pcs—(NA)

Mr Anant Ramesh 'Alpana', Opposite Circuit House Annexe, Shahibag, Ahmedabad-380004 (KFTZ-Gujarat)—HRC fuses—1 million Nos—(NU)

Transportation

M/s Swastik Rubber Products Ltd, Swastik House, Behind Kirkee Rly Stn, Kirkee, Poona-411003 (Maharashtra)—Pneumatic and Hydraulic Assemblies for Automobiles with cylinders above 30 tonnes—1 lakh assemblies—(NA)

Industrial Machinery

M/s Purolator India Ltd, Hauz Khas, P.O. Yusaf Sarai, New Delhi-110016 (Gurgaon-Haryana)—Industrial Filters for filteration of carbon black powder—40,000 Nos—(NA)

M/s Goyal Gases (Pvt) Ltd, D-271, Vivek Vihar, Delhi-110032 (Ghaziabad-UP)—Automatic Fire Fighting Installations-25 Nos, CO_2 Fire Extinguisher System-5,000 Nos, Crash Fire Tender-48 Nos, Smoke detection system-50 Nos—(NA)

M/s SIM—Maneklal Industries Ltd, Shafi Manzil, Ashram Road, Ahmedabad-380009 (Ahmedabad-Gujarat)—Pusher type Centrifuges, Decanter type Centrifuges, Horizontal Scrapper Centrifuges, Vertical Serapper Centrifuges—Total capacity 24 Nos—(NA)

M/s Asia Automotive Ltd, S,304, L.B. Shastri Marg, Mulund Bombay-400010 (Solan—HP)—Loose Needle Rollers—400 million Nos, Needle Bushes and Needle Cages—4 million Nos, Needle Thrust Bearings and Combined Needle Bearings—1million Nos, Needle Roller Bearings—0.25 million Nos—(NA)

Office and Household Equipment

Mr. Gulab Chandra Gupta, C/o Mr Bishan Lal Kanodia, B-368. New Friends Colony, New Delhi, (Haryana)—Industrial and domestic sewing machine needles—360 lakh Nos—(NU)

Fertilisers

M/s India Explosives Ltd, (Fertiliser Division), 34, Chowringhee, Calcutta-700016 (Kanpur—U.P.)—Ammonia—1,37,000 tonnes (Addl)—4,11000 tonnes (After expn) Urea—2,25,000 tonnes (Addl)—6,75,000 tonnes (After expn)—(SE)

Chemicals (Other than Fertilisers)

M/s Hindustan Gas and Industries Ltd, 'Industry House', 10, Camac Street, Calcutta-700017—(24-Parganas-WB)—Hydrogen Gas—0.216 MCM—(NA)

M/s Colgate Palmolive (India) Pvt Ltd, 3 Dinshaw Vachha Road, Bombay-400020 (J & K)—Menthol—100 tonnes—(NU)

M/s Indian Farmers Fertilizers Co-operative Ltd, 34, Nehru Place, New Delhi-110024 (Mehsana-Gujarat)—Malathion Technical—500 tonnes—(NA)

M/s Indo Berolina Industries Pvt Ltd, I.B.I. House, S-86, Andheri Kurla Road, Bombay-400059 (Broach-Gujarat)—Quinolphos Technical Grade—100 tonnes—(NA)

Mr Gurudas Gupta, Aurangabad Oxygen Gas Co Ltd, 230, Dr D.N. Road, Fort, Bombay-1 (Backward Area Maharashtra)—Oxygen Gas—0.45 MCM—(NU)

M/s Rathi Gases Ltd, 3-A, Vandhna, 11, Tolstoy Marg, New Delhi (Alwar-Rajasthan)—Nitrogen Gas—0.50 MCM—(NA)

M/s Andhra Pradesh Rayons Ltd, 1-2-597/15, Gaganmahal, Hyderabad-500029 (Warangal-AP)—Viscose stable fibre—10,500 tonnes, Rayon Polynosic fibre—7,000 tonnes, Anhydrous sodium sulphate (By-product)—10,500 tonnes—(NA)

Dyestuffs

Mr Shantilal D. Tolia, C/o SD's Lab-Chem Industry, 349/353, Samuel Street, Post Box No 3232, Bombay-400003 (Thana-Maharashtra)—Cosmetic Colours—50 tonnes—(NU)

M/s Chemiequip Pvt Ltd, 306, Green House, Green Street, Fort, Bombay-400023 (Thana-Maharashtra)—Disperse Dyes—380 tonnes (Addl)—500 tonnes (After expn)—(SE)

Drugs and Pharmaceuticals

Dr Raj Vardhan Maheshwari, Plot No 10, Off Dr. E. Mosses Road, Worli Bombay-400018 (Maharashtra)—Theophylline and Aminophylline—60 tonnes, Synthetic Caffeine—40 tonnes, Acetic Acid (By-product)—200 tonnes—(NU)

M/s Indian Drugs and Pharmaceuticals Ltd, N-12, South Extn Pt. I, New Delhi-110049 (Dehradun—UP)—Formulations of Neomycin—Corresponding to 2 tonnes of the bulk drug, Formulations of Cephalexin—Corresponding to 1 tonne of the bulk drug—(NA)

Paper and Paper Products

M/s Balkrishna Paper Mills Ltd, 18/24, Nandlal Jani Rd, Bombay-400009 (Maharashtra)—Paper—4500 tonnes (existing)—13,500 tonnes (after expn)—(SE)

M/s Tamil Nadu Cardboards and Paper Mills Ltd, 3, Cathedral Road, Madras-600086 (Coimbatore-Tamil Nadu)—Speciality Paper—3,600 tonnes—(NA)

Food Processing

M/s Kaira District Cooperative Milk Producers' Union Ltd, Amul Dairy Road, Anand-388001 (Gujarat)—Cheese—125 TPA (Addl)—625 TPA (After expansion), Ghee (By-product)—1400 TPA (Addl)—2000 TPA (After expansion), Butter (By-product) —2000 TPA (Addl)—5000 TPA (After expansion)—(SE)

M/s Bangalore Animal Food Corpn Ltd, Victoria Road, (Bangalore-Karnataka)—Sheep/Goat—9 lakhs Nos, Cattle—6,000 Nos (including Blood Meal, Bone Meal, Tallow etc, Liver extract and Manure by-products)—(NU)

Vegetable Oils and Vanaspathi

M/s Tamil Nadu Co-operative Marketing Federation Ltd, 40A, St Mary's Road, Madras-18 (Tamil Nadu)—Cottonseed Oil—20,000 tonnes in terms of cottonseed—(NU)

Rubber Goods

M/s Taurian Tubes, 23-A, Industrial Area, Adityapur, Jamshedpur-831013 (Singhbhum-Bihar)—High medium and low pressure hydraulic hoses etc above 1000 PSI, for conveyance of Oil. Gas, Steam, Chemicals and other fluids—1,80,000 meters subject to the condition that production of low pressure hoses should not exceed 60,000 metres or the level of production achieved in 1977, whichever is lower—(SE)

Glass

M/s Window Glass Ltd, 15, Brabourne Road, Calcutta-1 (Hooghly-West Bengal)—Wired and Figured Glass—1.34 million sq metres (in terms of 3 mm thickness) (existing)—3.3 million sq metres (in terms of 3 mm thickness) (after expansion)—(SE)

Mr Om Prakash Pandya, Noorbhoy House, 122/124, Abdul Rehman Rd, Bombay-400003 (Maharashtra)—Figured Glass and Wired Glass in white and coloured glass—2.50 million sq metres of 3 mm thickness—(NU)

Cement and Gypsum Products

M/s Kalyanpur Lime and Cement Works Ltd, Maurya Centre, 1, Fraser Road, PO Box No 89, Patna-800001 (Rohtas-Bihar)—Cement—1.34 lakh tonnes (Addl)—4.80 lakh tonnes (After expn)—(SE)

Mrs Shantaben D. Patel, 9, Suneta Park, Opp Niyajan Nagar, Ellisbridge, Ahmedabad-380015 (Banaskantha-Gujarat) —White Cement—45,000 tonnes—(NU)

M/s Narmada Cement Company Ltd, 'Bakhtawar', 4th Floor, Nariman Point, Bombay-400021 (Jafrabad and Magdalla, Amroli and Surat—Gujarat)—Portland Cement—4,00,000 tonnes (existing)—10,00,000 tonnes (after expn)—(SE)

Mr N. Krishna Prasad Raju, 1-1-300/1/A/1, Ashok Nagar, Hyderabad-500029 (Nalgonda-Andhra Pradesh)—Ordinary Portland Cement, Pozzolone Portland Cement, Blast Furnace Slag Cement, Masonry Cement, Oil Wall Cement, Rapid Hardening Cement, Acid Resistant Cement—Total capacity 3,00,000 tonnes—(NU)

M/s Rajasthan State Industrial and Minerals Dev Corpn Ltd, 100, Jawaharlal Nehru Marg, Jaipur-302004 (Jaipur-Rajasthan)—Portland Cement—33,000 tonnes—(NU)

M/s Rajasthan State Industrial and Minerals Dev Corpn Ltd, 100, Jawaharlal Nehru Marg, Jaipur-302004 (Sirohi-Rajasthan)—Portlant Cement—33,000 tonnes—(NU)

M/s Rajasthan State Industrial and Minerals Dev Corpn Ltd, 100, Jawaharlal Nehru Marg, Jaipur-302004 (Jodhpur-Rajasthan)—Portland Cement—33,000 tonnes—(NU)

M/s Rajasthan State Industrial and Minerals Dev Corpn Ltd, 100, Jawaharlal Nehru Marg, Jaipur-302004 (Pali-Rajasthan)—Portland Cement—33,000 tonnes—(NU)

M/s Rajasthan State Industrial and Minerals Dev Corpn Ltd, 100, Jawaharlal Nehru Marg, Jaipur (Sikar-Rajasthan)—Portlant Cement—33,000 tonnes—(NU)

M/s Shree Digvijay Cement Co Ltd, Digvijaygram, Gujarat (Ajmer-Rajasthan)—Portland Cement—4,00,000 tonnes—(NU)

Mr K.K. Somani, Empire House, Dr D.N. Road, Fort, Bombay-400001 (Sirohi-Rajasthan)—Portland Cement—5,00,000 tonnes—(NU)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Dulichand Omraolall—to—M/s Dulichand Shreelal

M/s Stumpp, Schuele and Somapp Pvt Ltd—to—M/s Stumpp, Schuele and Somappa Ltd

M/s Rajasthan Transmission Wires—to—M/s Rajasthan Transmission Wires Private Ltd

M/s Hindustan Gas Company Ltd—to—M/s Hindustan Gas and Industries Ltd

M/s Maharashtra State Textile Corpn Ltd—to—M/s Devagiri Textile Mills Ltd

M/s Sitaram Spinning and Weaving Mills, Trichur—to—M/s Sitaram Textiles Ltd, Trichur

M/s Bharat Westfalia Pvt Ltd—to—M/s Bharat Westfalia Ltd

Licences Revoked or Cancelled

(Information pertains to particular licences only)

M/s Larsen and Toubro Ltd, Bombay—Film Flow induced cooling towers—(Revoked)

M/s Jim Chemical Industries Pvt Ltd, Bombay-400003—Phenyl Butazone—(Cancelled)

Letters of Intent Lapsed, Cancelled or Revoked

(Information pertains to particular letters of intent only)

M/s Shyam Sunder Beriwala, New Delhi (MP)—Woolcombing plant—(Lapsed)

M/s Asia Combing Mills, Ludhiana (Punjab)—Woolcombing plant—(Lapsed)

M/s Anil Combers, Ludhiana (Punjab)—Woolcombing plant —(Lapsed)

Mr Dilip Kapadia, C/o M/s Luxmi Electronics Capacitors Ltd, Bombay-400023 (AP)—Electrolytic Capacitors—(Cancelled)

Mr Prakash Khemka, M/s Khemka Instruments Pvt Ltd, Calcutta-700017 (Bihar)—Rock Roller Bits—(Lapsed)

M/s Industrial Machinery Manufacturer (P) Ltd, (Ahmedabad-8 (Gujarat)—Dairy Machinery—(Lapsed)

M/s Delta Paper Industries Ltd, Calcutta-700001 (West Bengal)—Finished Leather and Shoe Uppers—(Lapsed)

M/s Usha Die Castings Pvt Ltd, New Delhi-110014 (Haryana)—Multi Speed and Brake Hubs/Multi Sprockets Free Wheels etc—(Lapsed)

Mr J.A. Mehta, Bangalore (Karnataka)—Capacitors—(Lapsed)

M/s Lakshmi Machine Works Ltd, Coimbatore (Tamil Nadu)—Circular Automatic Cone Winders—(Cancelled)

M/s Caustic (India) Ltd, Calcutta (Rajasthan)—Chloroethylene and Perchloroethylene(Lapsed)

M/s Raptakos Brett and Co Ltd, Bombay-40 (UP)—Infant Milk Food, Milk Powder and other milk products—(Lapsed)

M/s Ashok Kumar Jain, Delhi-52 (Haryana)—Flour Milling Machinery and Components—(Lapsed)

Director of Industries, Govt of Manipur, Dte of Industries, Imphal, Manipur (Manipur)—Sugar—(Lapsed)

M/s Philips India Ltd, Bombay-400018 (Maharashtra)—Loudspeakers—(Revoked)

Mr B.L. Dalmia, Calcutta-700054 (West Bengal)—Industrial Gases—(Lapsed)

Mr H.K. Shah, Bombay-400020 (Nagar Haveli)—Phenol—(Lapsed)

Mr B. Ramakrishna, Vijayawada (AP) (Andhra Pradesh)—Ossein, Gelatine, and Dicalcium Phosphate—(Lapsed)

Ashok Leyland Limited

Ennore, Madras 600 057

Speech delivered by Mr S Ranganathan, Chairman, to the shareholders at the 29th Annual General Meeting of the Company held on 29th May 1978 at Ennore, Madras 600 057.

Friends:

It gives me great pleasure to welcome you to the 29th Annual General Meeting of your Company.

The Directors' Report and Audited Accounts for the year ended 31st December 1977 have been in your hands for some time now and with your permission I shall take it that you have read them. I shall therefore have only the Auditor's Report read out by the Secretary.

General Economic Conditions

It is gratifying to note that during the year under review the Government continued to take action to improve the general industrial climate in the country. The main concern of the Government has been to increase production generally and to ensure that all existing resources are utilised to the maximum possible extent.

Whenever I had occasion to address you in the past, I have always stressed the fact that India is a vast sub-continent and more than production, distribution is the main bottleneck in this country. I am happy to say that there is now more appreciation than before of the vital role played by the Transport Industry in modern economy. There is already a thinking in Government circles that the target for the rate of growth of the Transport Sector in the Sixth Plan should be raised from 6.2% to a minimum of 10%. The Public Accounts Committee of Parliament has recently stressed the need for an early finalisation of a National Transport Policy at the highest level so that there could be effective rail-road co-ordination. It is learnt that the question of the setting up of a separate export promotion agency for the Automotive Sector is under active consideration of the Government. It is also refreshing to note that the Government is not against import of technology wherever it is justified for the growth of industry. There is every indication that a new policy on the growth of the Automobile Industry would be formulated shortly by the Government. The Government has been laying emphasis on the growth of the rural sector and village industries as well as on the creation of job opportunities. This will give a fillip to the development of proper roads connecting the villages and proper road transport in the form of light commercial and passenger vehicles linking the rural and the urban sectors of the country.

Taking all these developments into account, I am very hopeful of a bright future for the Automobile Industry in this country, both light and heavy, and your Company has to play its significant part in this process.

Operating Results

It is agreed on all sides that a greater level of industrial discipline is essential for industrial growth. Unfortunately, due to dislocation in the factories of some of your regular ancillary suppliers, there had been disruption of regular supply of critical components during the year and the Company had to secure other supplies at short notice necessarily at high cost in order to keep the production in your factory going with minimum dislocation. Taking into account the paucity of industrial input during the year, the overall sales of chassis and spare parts for the year may be considered satisfactory.

You would remember that in order to be compatible with the accounting year of British Leyland, our Collaborator, and major shareholders, there was a change in your Company's accounting year and the last period covered fifteen months duration ended 31st December 1976. The period under review covers twelve months from 1st January 1977 to 31st December 1977 and this has to be borne in mind when you draw comparison of this year's result with the previous period.

A total of 8,116 vehicles were sold during the year as against 11,031 during the earlier fifteen months' period. Sale of engines and spare parts showed considerable increase. There is continuing demand for your products and we have every hope that your Company would achieve comparable results during the current year as well.

Dividend

Your Directors have decided to recommend payment of a dividend of 90 paise per Equity Share, that is 18%, subject to deduction of tax for the year and you will agree that this compares favourably with last year's dividend which was of the same percentage.

Expansion

The implementation of the expansion programme is being maintained and will be completed shortly. Taking into account the present demand in the market, the future prospects and the Government's policies in regard to the growth of the Automobile Industry, your Directors have decided to investigate the possibility of further expansion. You will be happy to note that the Company has received an industrial licence for the manufacture of industrial/marine engines which will enable us to produce 1,500 nos. per annum by way of substantial expansion, from the existing capacity of 720 nos. per annum. With a vast stretch of sea coast and deep-sea fishing facilities in this part of the country, there is immense market potential for marine engines

The foreign currency loan to cover the imports of plant and machinery required for implementation of the expansion programme was provided by the Industrial Credit and Investment Corporation of India Limited to which the Company is very grateful. For rupee finance, we had been negotiating with the financial institutions who were willing to provide the necessary assistance. However, your Board of Directors took into account the present financial condition of the Company and, in consonance with Government's policy, your Board has decided to meet the needs from the Company's own internally generated funds. We are, however, grateful to the financial institutions for their readiness to help us.

Exports

Like many other companies in India, your Company has yet to establish a stable export market and I can assure you that efforts are continued to be made in this direction by your Company. During the last period of fifteen months I reported a record export earning of Rs. 1,138 lakhs but during the year under review, your Company could export only to the tune of Rs. 591 lakhs. The demands in the export markets have been sporadic and, as I said, it takes time to build a regular and stable export market for your products.

Research & Development

Last year I mentioned that, bearing in mind the specific requirements of customers at home and abroad, your Company proposed to introduce new models of vehicles. You will be happy to know that the Company has recently introduced two new models, a passenger vehicle known as Cheetah and a haulage vehicle known as Tusker which has a gross vehicle weight of 13 tonnes. Both the models have been well-received in the market. The Research and Development activities of your Company are continuously geared to keep abreast with technological developments and bring out new models to suit the Indian and foreign markets. Though the technical agreement of

collaboration between your Company and British Leyland is no longer in operation, British Leyland have been always willing to consider from time to time the rendering of specific items of technical help that may be required on terms to be agreed upon and as your Directors are contemplating further expansion, your Company would be approaching British Leyland with a view to procure further technology on terms mutually acceptable in this regard.

Management

Consequent on the reorganisation at British Leyland, Mr Alex Park resigned his Directorship from the Board of your Company.

In terms of the undertaking given to Government, the Board of Directors, in consultation with British Leyland, have been successful in selecting an Indian national, Mr R J Shahaney, to succeed Mr F Holdsworth as Managing Director of your Company. Prior to joining us, Mr Shahaney was Chairman and Managing Director of Jessops and Company in Calcutta. I am confident that with his background and valuable experience, he will make a substantial contribution towards further progress of the Company. We would be approaching you for approval in due course regarding the terms and conditions as agreed to by your Board and to be approved by the Government of India. Mr Holdsworth was appointed Technician-cum-Managing Director of your Company for a period of two years with effect from 1st April 1976 and the term of service of Mr Holdsworth would have normally terminated on 31st March 1978. Your Directors felt that it was necessary for Mr Shahaney to work for two or three months in close relationship with Mr Holdsworth in India and to spend some time in British Leyland in UK in order to ensure a smooth transition in top management. This meant that Mr Holdsworth had to stay back in India as Technician-cum-Managing Director for a further period up to six months effective from 1st April 1978. In this meeting we are submitting a special resolution for your sanction and approval for the extension of term of office of Mr Holdsworth as Technician-cum-Managing Director of the Company for a further period up to 30th September 1978 and for payment of remuneration as set out in the resolution.

Mr Holdsworth will be the last in the line of distinguished expatriates who have been made available to us by British Leyland to head the affairs of your Company as Managing Director. You will all agree that his period of office witnessed all-round progress in the affairs of your Company and I take this opportunity to place on record our deep appreciation for all that he has done and to wish him every success in the future.

Acknowledgement

I am grateful to British Leyland for their continued guidance and helpful attitude in the development of your Company.

I would like to record our sincere thanks to the Central and State Governments for their encouragement and support and also to the financial institutions and our bankers for their continued support in the day-to-day operations and advancement of our business.

I would be failing in my duty if I did not record our great appreciation of the enthusiasm and loyalty of of all employees and able administration of the management team which have contributed to another successful year.

I must not forget to express also the gratitude we owe to all our dealers and suppliers of materials and components for their support. Finally, on behalf of the Board of Directors and myself, I would like to convey our sincere thanks to you, the members of the Company, for all the confidence that you have reposed in us which has been our mainstay in the management of the Company.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

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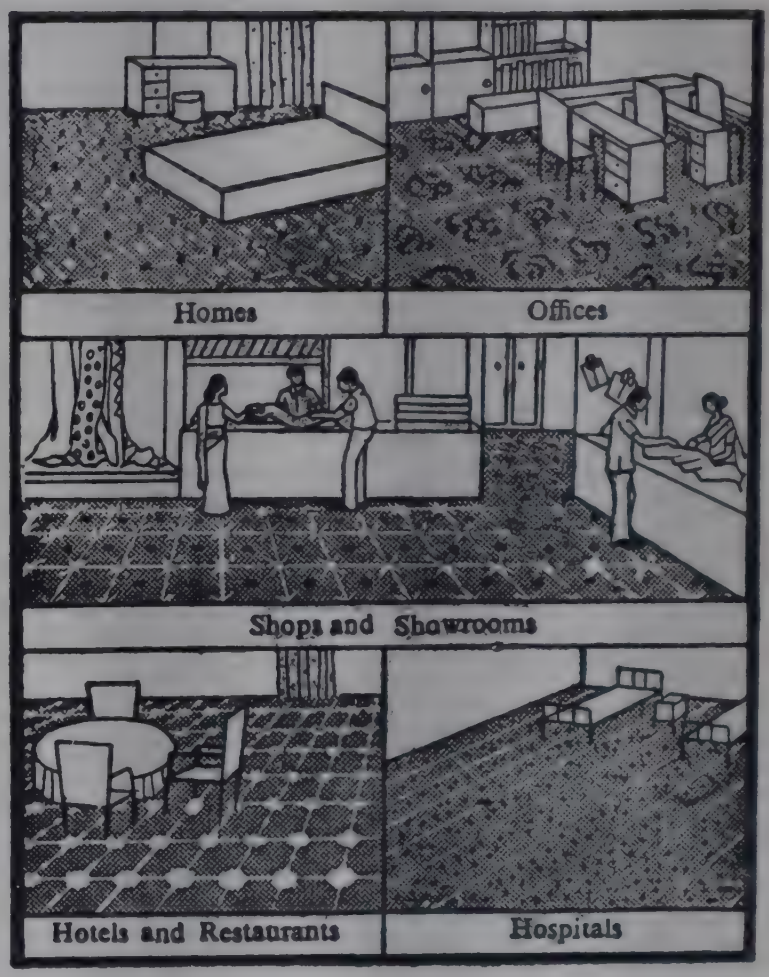

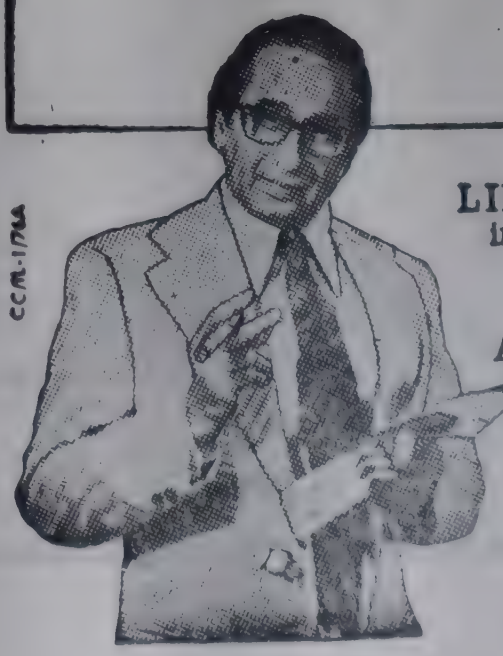

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Statement by the Chairman Mr. A.M.M. Arunachalam to the shareholders

Overall performance better than previous year
TI Cycles of India—suspension of operations

Your Company's overall performance in 1977 is better than of the previous year. The major prominent factor contributing to this improvement is the performance of the Tubes Unit. The Directors have explained the actions leading to this improvement, despite the operating losses of the Bicycle Unit. They have also mentioned why the Bicycle Unit has made losses once again in 1977, though lower than previous two years and reported separately at length the unfortunate incidents at the bicycle factory on 11th January 1978 culminating in the suspension of operations of that factory.

The events leading to the suspension of operations in TI Cycles of India factory (TICI) on 11th January 1978 should cause serious concern to industrial managements, whether in public or private sector, as they pose a formidable challenge to them to manage their industries in the best manner possible.

At a time when well-thoughtout schemes had been prepared to contain the rising costs of production and also increase worker and management productivity and were in the process of implementation, it is tragic that the workmen should have adopted an intractable and unhelpful attitude.

During the last two years, the management's plans and efforts began to yield results and had been accepted and appreciated by the customers, the trade and the suppliers. It looked as if the time had come to turn the corner in terms of pushing up sales of this quality product both in the domestic and the international markets.

The layout of the unit which was designed for implementing the 'integrated operations' licenced 25 years ago needed to be redesigned with a view to improving the utilisation of plant and equipment without unduly casting a burden on the workmen. That the relayout of this plant should not have received the cooperation of the workmen is the most unfortunate part of the tale of TICI.

TICI, a Unit of Tube Investments of India Ltd., (the Company) has ceased to be economic due to factors beyond the control of management. Nobody will fault the Company a pioneer in the manufacture of the common man's vehicle with reckless management. On the contrary, considering the Company's sound financial position, which is mainly due to prudent financial management over the years, they are likely to be lauded. In fact, TICI is in a fortunate position in terms of assets to discharge the liabilities without any difficulty if so required.

Apart from the non-cooperative attitude of labour, which is most unfortunate when the unit is based on integrated operations as against the assembly type of units, six other factors have contributed to the present predicament:

—Higher wages paid by TICI than the wages paid by the bicycle units in the upcountry.

—Lower productivity of workmen in TICI as compared to the productivity of workmen in the North Indian units.

—Steep escalation in input costs which a quality conscious (integrated operations) management faces as against the assembly type unit.

—Higher price of TICI's products due to aforementioned three factors and loss of the market to North Indian manufacturers.

—Problem of inflexibility facing the integrated units in adapting to changes in process, materials or even employment.

—Undermining of financial viability of the older units due to price control from 1963 to 1974.

Despite my explanation, the dominant thought in your mind could be, why TICI has not been able to improve its performance when some of the other bicycle units are doing much better and especially when TICI has foreign collaboration and has sophisticated machinery and plants using quality raw materials and producing quality bicycles.

The units in the bicycle industry which have performed well in recent years are those which enjoy lower wages, higher productivity and steadily increasing volume. The units which are disadvantageously placed with regard to high wages and low productivity resulting in a steady erosion of their sales volume have gone sick. The Government has been running two such units for some years now, but their efforts also have not made the operation of these units viable.

As referred to earlier, in spite of these odds the management of TICI worked out a turn-round strategy and were in the process of implementing it successfully when militant labour elements precipitated a showdown and frustrated the pursuance of the good work already undertaken.

What are the options open to the management facing a crisis situation in one of its units? How long should the Management allow the performance of this loss-making unit to affect the performance of the other units in the Company?

This is the challenge facing the Company's management today. The Company does not want to close down a unit just for the sake of doing so especially when it is a pioneer and if it can still operate it viably as it believes it can given the right conditions, circumstances and cooperation. No socially responsible entrepreneur would like an enterprise that he has created, to become sick and die; on the contrary, he would like to nurse it, make it viable, healthy and profitable, provided the situation is favourable.

The Board of Directors is fully alive to and deeply appreciative of the concern in various quarters to the prospect of a premier manufacturing unit of this Company closing down its operations and their anxiety to avoid it. What has been and is uppermost in the mind of the Board is the question of its viability. Whatever the final outcome of its efforts to establish its rights under law, it will be Management's endeavour to preserve and strengthen the health of the corporate body as a whole so that it could continue to discharge its responsibilities in a satisfactory manner i.e. to use the resources made available to it effectively and efficiently so as to earn a surplus after rewarding the factors of production.

Your Directors have referred, in their report, to a fresh issue of equity capital to be utilised for the expansion of your Company's existing production facilities. Your Company holds an industrial licence for manufacturing "Cold Roll Formed Sections in metal and manipulation and manufacture of articles made out of Cold Rolled Sections" and has established facilities at Avadi to fabricate these sections. The licensed capacity is not yet fully utilised as the demand for these products in the Engineering Industry has been building up only gradually. Construction and Transportation are two other industries where these sections could be used to advantage. Your Directors consider this a promising area and have initiated necessary action. Depending on the findings of the market survey which is already in progress, they propose to expand the activities of the Metal Sections Unit to meet this need. The equity issue which may be brought out in early 1979 would be utilised to finance this expansion.

One of the areas engaging our attention is the need to use our technical skills to develop ancillary and small scale industries at the village level to make products that have a bearing on the rural economy. To this end, with the help of The Indian Institute of Technology, a prototype bullock cart was designed, made of tubes and metal sections. The advantages of this cart, in addition to the considerably longer life that it will have, are the higher pay-load it can carry and the incorporation of features that reduce the load on the bullock. Prototypes have been given for extensive field trials. When this is completed we shall make the necessary package of tubes and sections which will be fabricated into carts by small scale units at the village level. We believe that this may well prove to be a significant contribution that your Company will be making in the field of rural development.

TI Diamond Chain Ltd., improved its sales considerably during the year compared to the previous year. This was mainly due to the larger sales of industrial chains in the domestic and international markets. The good quality of the products as well as vigorous marketing have contributed to the higher sales.

TI Miller Ltd., has improved its sales substantially during the year compared to the previous year on account of continued emphasis placed on quality of the Company's products as also the marketing efforts undertaken.

12th May 1978

GUEST KEEN WILLIAMS LTD

Statement made by Mr. K. C. Maitra, Chairman, on the occasion of the Fortyeighth Annual General Meeting of Guest Keen Williams Ltd., held in Calcutta on 12th May, 1978.

It gives me much pleasure to welcome you to this, the Fortyeighth Annual General Meeting of your Company. The Accounts and Directors' Report have been circulated, and with your permission I shall take them as read.

BOARD OF DIRECTORS

In Memoriam

Before proceeding with my statement, I would like to pay homage to the memory of the late Mr. J.F. Heatly who died in February this year. Mr Heatly had served the Company for many years until his retirement in 1960 as an Executive Director.

Changes in the Board

There have been a few changes in the Company's Board last year and also this year.

Mr G.T. Holdsworth, Group Deputy Chairman and Managing Director of Guest Keen & Nettlefolds Limited, U.K., resigned from the Board of your Company from 11th October 1977 in view of his enlarged commitments. Mr. Holdsworth took great interest in the operations of the Company and, in spite of his very busy programme, had been able to attend a few Board Meetings in India. I would like to place on record on your behalf and mine our deep sense of appreciation for Mr. Holdsworth's advice and guidance.

Mr. P. Anant also resigned from the Board of the Company from 1st September 1977. He joined our Board in 1975, and during his tenure had rendered us very valuable service. I would like to place on record our appreciation of his services.

Mr. N. Ghose, Deputy Chairman and Managing Director, resigned from the Board on cessation of his employment in the Company with effect from 5th December 1977.

Mr. Holdsworth's place on the Board was taken up by the appointment of Mr. R.E.J. Roberts, Director of Guest Keen & Nettlefolds, Limited, U.K. Mr. Roberts, a qualified engineer with wide experience in very senior positions leading to his appointment on the Main Board of Guest Keen & Nettlefolds Limited, is a most valuable addition to the Board of your Company. He vacates office today by rotation, and I would commend his re-appointment strongly.

We also welcome Mr. D.P. Kharia who was appointed to the Board in the vacancy caused by Mr. Anant's resignation. Mr. Kharia is General Manager (Operations) and Director of Tata Iron & Steel Company Limited, and I am quite sure his association with us will strengthen the Board. Mr. Kharia also retires by rotation at today's Meeting and I would commend equally strongly his re-appointment.

Mr. M.R. Sundaram, who was Secretary & Controller of the Company, was appointed a Wholetime Director from 1st December 1977. His was a well deserved appointment, and I feel sure that the members will approve his appointment at today's Meeting.

Mr. Sukhendu Ray was appointed Managing Director and Chief Executive of your Company from 7th April 1978. Mr. Ray has been in this Company for 24 years and served the Company in various capacities during this period. He was appointed to the Board in 1969, and I wish him success in his new assignment.

Lastly, myself. It has been my intention for quite some time to lay down my office which I feel I had been carrying longer than I had intended to. I have, accordingly, relinquished my executive responsibilities since 1st April this year. However, the Board of Directors have asked me to continue as Non-Executive Chairman of the Board and also to act as Advisor to the Company for a while. In view of my long association and my interest in the well being of the Company, I have accepted these assignments but only for a maximum period of one year.

In Gratitude

It is, therefore, most likely that this General Meeting may be the last that I might be presiding over. I would like to take this opportunity of saying Thank You to all of you. To the members of the Company from whom at General Meetings and outside Meetings I have received nothing but unfailing courtesy, cooperation and understanding; who have, despite occasional disappointments, appreciated our problems and borne with us, and who have continuously encouraged and helped us in running and shaping this Company. To all my colleagues, from the shopfloor to the board room, who are an excellent band of people and from whom I have received every support. I retire with the comfortable knowledge that the management of your Company is in the hands of experienced and able people who whilst maintaining the character and tradition of the Company will also explore all possibilities for future growth in areas that will match our talents and aspiration. To our associates. Guest Keen & Nettlefolds Limited, U.K., members of its Board and its senior executives with whom I had the opportunity to come in contact and with whom I have had the privilege of working during my 35 years of service in India, but for whose help, contribution and sympathy I could have hardly achieved what I might have done in my humble way in furthering the interest of your Company.

OPERATIONS DURING 1977

In my statement to you last year I expressed concern about the business outlook but was yet a little hopeful that 1977 was likely to be somewhat better than 1976 unless there was an exceptional adverse turn of events. I am glad that I have been proved correct and that this improvement was achieved despite very severe power cuts which your Company experienced throughout last year at its Howrah Works. Even so, we still continue to be below our peak performance

and it is a personal disappointment for me that at the time of my departure the Company's performance still remains below par. The industrial and business climate had remained depressed and except in certain product lines, your Company was by and large operating in a situation of fairly subdued demand. Even in exports there was some setback, particularly because of conditions prevailing in the North American market which is one of our largest outlets.

OUTLOOK FOR THE FUTURE

Crystal gazing is not my profession, and as a professional manager I would not accept this as a rational proposition either. Yet, I fear, from what I see all around, it will take a very brave man indeed who can forecast the future—both immediate and long term—with any degree of astuteness and confidence.

The Challenge of Change

All I can say with some confidence is that the future will continue to be a challenge for us. And our organisation, like any other successful organisation, must learn to thrive with such challenges—for they bring to the forefront the entire nexus of management skills that compel an organisation to think afresh, reorient or at least revalidate its priorities, seek new directions, and identify new corporate goals. In such times, in the milieu of stress, the "total futility of fact" that Henry James spoke of, is overwhelmed by the compulsions of hope, and from the deep well of our corporate cerebrations emerge new aspirations, new ideas. These create the dynamics of change.

The arithmetic of corporate decision making depends on certain established ground rules. This is particularly true in an economy like ours, where there is a relentless dialectic between the demands for economic growth and efficiency which corporate business facilitates, and the demands for increasing controls to limit the powers of such corporate business. It is when these controls become so overwhelming that they tend to inhibit growth and make future planning far too nebulous to provide a responsible basis for decision making, that one pleads for a revaluation. For any business, if it is to survive, must extrapolate into the future to assess its possibilities, programme for growth, anticipate change, and be prepared for long term contingencies.

The Constraints to Growth

The controls that have been imposed on the corporate sector in our economy are severe. The mystique of a planned economy has created its own fiscal theology. Constraints relate to vital issues like money, its source and its utilisation, the size and nature of business, and the directions of growth. These functional limits one has come to accept as both inevitable and perhaps somewhat necessary within the overall matrix of the nation's plan for growth. But these constraints are compounded today by several quite unanticipated problems: among them, an unpredictable power sitution in most parts of the country, a mercurial socio-political ambience, and the frequent compromise with economic shibboleths nurtured by political strategists as what Galbraith calls "the conventional wisdom."

To expect business to be totally free in the complex matrix of today's pluralistic society may be anachronistic. Yet one expects, and quite justly in my opinion, a certain degree of autonomy for the corporate sector if it is to succeed and deliver the goods that society expects of it, instead of faltering in a climate of ambivalence and acrimony. While it is true that doctrinaire priorities cannot always be entirely divorced from economic decision making, the arbiters of our fiscal destiny must be allowed some freedom to implement those options that will achieve results and not succumb to the compulsions of polemic.

While I have always held that a certain degree of financial discipline is often necessary to meet the tyranny of blind market forces, I believe it is equally important to allow business the freedom to conduct its business with some autonomy within its delineated boundaries. A pragmatic approach towards the corporate sector, with the right admixture of flexibility and firmness, can alone inspire its confidence. And such confidence is essential if management is to be responsive to the blueprint for social change. "In dreams begin responsibilities," said Yeats—and it is time we as a nation had the courage to face the future with confidence and search for that vivid utopia which lies in the heart of our consciousness.

Our Corporate Response

What then are the options before us?

We shall have to live with certain constraints. These are the limits within which the corporate sector is allowed to function today. Instead of suffering this as a straitjacket, we must accept such constraints as a challenge and see how we can maximise our aspirations within these restrictions. In our ability to meet this challenge shall lie the success of the management skills we have honed our the years.

Yet what worries us today are not so much these regulations on growth and activity as the other unpredictable factors that have assumed awesome proportions in recent times. Take the case of power, for instance. Unless swift and decisive action is taken by the government to meet the crisis of power shortage, the problems of industry will be compounded. Similar input problems need to be tackled on an urgent basis—otherwise, industry will be condemned to a crawling annual growth rate despite the favourable harvests, a burgeoning foreign exchange reserve, accelerating exports, and prospects of increased government spending in the more vital sectors of the economy. Manifesting this crisis of confidence is the lack of fresh investment in industry despite the fairly bullish trend in the stock exchanges.

Among the regulations our functioning and gro the controls imposed by FE are particularly relevant at moment. In accordance FERA directives, our Comp with its foreign equity hold pattern is governed by cer clearly established rules. areas of activity are defi and though these somew limit the scope of our curr functioning and future grow it does not necessarily m that opportunities have b irrevocably thwarted. Possi lities of future growth a diversification remain, alb within the overall paramet laid down by FERA.

The Preferred Option

We have opted under FER to change the character of o business profile which, to n offers promising challenges f the future rather than take t easy route of dilution of forei equity holding to 40 per cer As we are already functioni quite clearly in the area sophisticated technology, a fa borne out by our current pr duct range and list of custom industries, such a change character will not involve complete overhaul of our cu rent manufacturing operation It will decidedly need som shift in our current productio profile and this shift will i volve moving into new areas manufacture, changing the pro duct mix in some of our opera ting divisions, and introducin new and sophisticated techno logy into the country for th production of goods and ser vices that will meet the need of critical growth areas. Th urgency of change creates it own compulsions, and I an sure we will be able to mee this challenge before us.

The sine qua non of our de cision to change our corporate profile is the confidence we vest in our ability to respond to new challenges that are cons tantly being thrown at us. Re silience demands foresight. I is based on the belief that it is not enough to anticipate the future, one must be able to assure it. The decision to alter our activity profile and redirect ourselves to some extent will mean considerable and consis tent management effort, and I

ertain we have the where-
ál to achieve this.

fact, GKW as a Company traditionally responded to nge both swiftly and with gination during the past five ades of its existence. What an primarily as a small ory supplying sleepers, nts and crossings and railway ck materials to the Indian ways in the mid-twenties is ay a versatile engineering nplex with a diversified pro-ct range and a reputation as novators. The level of tech-logical resources available GKW, and the human skills at have been nurtured over e years, provide me with con-ence in its future, despite e uncertainties that are inevi-ble in any corporate blue-int for change.

eed for Creative Collabora-on

The fact that GKN our in-rnational associates will be also there to offer us their assistance is an equally vital factor for confidence. GKN have always unstintedly provided us with sophisticated know-how and the advantages of their vast resources, experience and highly developed research and development facilities. Their international operations have also helped us to make export thrusts into overseas markets, where our products have proved successful. In fact, export will continue to be of abiding interest for both our associates and ourselves. And an extension of our international customer base will help us avoid the vagaries of depending on a few markets for most of our exports, as at present. The impact on our export performance this year by reduced offtake of fasteners in the North American market underscores this concern of ours. Our recent order of Rs 75 lakhs of elastic rail spikes secured from the Bangladesh Railways and a letter of intent received from the Philippine National Railways for the same product, valued at Rs 150 lakhs, provide evidence of the new export thrust of your company.

Our options under FERA, let me hasten to assure you, are not the only compulsion for change. The market makes its own demands. An organisation like ours, if it is to continue to play a major innovative role, must constantly renew its technology, seek new impulses for change. Growth in such an area comes from the awareness that corporate responsiveness to change can alone ensure one's critical role in an environment where growth has its own ruthless logic. We recognise this. And from this awareness stems our concern for change, a concern catalysed by the market forces that obtain.

It is here that our associates will prove to be our most valued partner in view of their access to advanced international know-how and their wide, experience in similar technological areas. I am confident that with their help and our abilities we shall be able to meet the requirements of change and successfully direct this company towards new horizons of growth and achievement.

IN CONCLUSION

Finally, I would like to take the opportunity to offer my sincere thanks and appreciation to all members of the GKW family for their help and co-operation during my long association with them. I wish them all success for the future, and I am sure our shareholders will join me in extending my appreciation to them for their sincere efforts during the past year.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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Finances of large public limited companies, 1976-77

The salient features of the overall performance of 404 selected large non-government, non-financial public limited companies (each with a paid-up capital of one crore rupees or above) during the year 1976-77, as revealed by a study prepared by the division of Company Finance of the department of Statistics, Reserve Bank of India are given below:

THE YEAR 1976-77 was a year of fair growth in sales, profits and gross fixed assets. Sales were up by 13 per cent during the year, gross profits, by slightly less than 10 per cent and profits after tax, by almost nine per cent, while gross fixed assets formation rate was 8.3 per cent.

A welcome feature of the operations was the drawing down of the inventory of both raw materials, components, etc, and finished goods, but the increase in work-in-progress and other inventories slightly more than countervailed this and, as a result, there was an overall growth in inventories albeit at a marginal rate. Even with this significant rate of inventory build-up, which came on top of a sharp decline in growth rate during 1975-76, holdings of raw materials, components, etc., were almost two-months' consumption requirements, and inventory of finished goods and work-in-progress amounted to nearly seven weeks' sales.

Short-term Borrowings

Another significant feature was the six per cent increase in short-term bank borrowings, although the overall increase in inventories was only less than half of one per cent. In the result, short-term bank borrowings as a percentage of inventories moved up, from 47.8 per cent in 1975-76 to 50.3 per cent in 1976-77.

Capital formation rates, gross and net, were comparatively low, at 5.8 per cent (Rs 517 crores) and 3.4 per cent (Rs 203 crores), respectively due largely to low-key inventory build-up. The gross fixed assets formation rate of over 8 per cent was less than the 10.3 per cent growth rate observed in 1975-76 in the case of the 385 large public limited companies covered in the previous study. This, however, should be viewed in the background of an all-round increase in profits and profitability and higher cash flow, despite hiking of dividends during 1976-77.

Value of Production

Value of production of the selected companies increased by Rs 982 crores from Rs 9,262 crores in 1975-76 to Rs 10,244 crores in 1976-77. Thanks to an increase of Rs 66 crores in other income, total income (including non-operating surplus/deficit) rose by Rs 1,048 crores and stood at Rs 10,493 crores in 1976-77. Expenditure also grew, but a smaller margin, and gross profits recorded an increase of Rs 91 crores and pierced the Rs 1,000 crores mark, to reach Rs 1,034 crores. Interest claimed a large slice of the increase in gross profits (Rs 39 crores) and, consequently, operating profits were up by only Rs 52 crores. With non-operating surplus contributing Rs 47 crores, pre-tax profits of the companies amounted to Rs 716 crores (Rs 669 crores in 1975-76).

Higher Profits

After-tax profits were Rs 334 crores, which was Rs 27 crores more than in the previous year. With companies raising dividends (by Rs 19 crores) from Rs 153 crores in 1975-76 to Rs 171 crores in 1976-77, retained profits at Rs 163 crores were higher by only Rs 8 crores than in the previous year.

The improvement in the overall working results were reflected also in the profitability ratios. The ratio of gross profits to total net assets and of profits after tax to net worth improved marginally over the year, the former from 11.4 per cent to 11.7 per cent and the latter from 10.0 per cent to 10.3 per cent. The ratio of gross profits to sales, however, declined from 10.4 per cent to 10.1 per cent.

The bulk (60 per cent) of the increase in expenditure (including interest payment) during the year was contributed by raw materials, components, etc, and stores and spares consumed. Remuneration to employees (salaries, wages and bonus, provident fund and employees' welfare expense and "other expenses" we prominent among the oth items contributing to the i crease in expenditure.

The share of raw materia components, etc., and stor and spares in value of produ tion was slightly less than per cent in both 1975-76 a 1976-77, while the share other major items viz., remun ration to employees, declin from 13.9 per cent in 1975- to 13.5 per cent in 1976-7 There was a decline in t share also of operating surpl from 4.7 per cent in 1975- to 4.1 per cent in the ye under review. Power and fu and 'other expenses' account for larger shares of value production in 1976-77 than the previous year. The share interest also rose margina but, even with this rise, int rest accounted for only 3.6 p cent of value of production.

Ratio of Interest

The ratio of interest pa during the year to the avera of outstanding borrowings the beginning and the end the year, which may be tak as a rough estimate of t average cost of borrowing was the same (12.4 per cent) 1975-76 and 1977. For obvio resons, the ratio is admitted only a rough measure of t average cost of borrowing but it seems reasonable assume that the increase inrerest payments duri 1976-77 was not so much r lated to any increase in t average cost of borrowings

he increase in the outstand- borrowings. It is also of erest to note that the ratio s below 13 per cent.

Gross assets formation of selected companies during 76-77 amounted to Rs 862 res. More than half the ets formation was in the m of fixed assets. Next in portance, but far behind, re loans and advances and her debtor balances. The ventory build-up during the ar was only Rs 12 crores.

ssets Formation

International sources financ- slightly over half the assets rmation (52 per cent), de- reciation provision providing ne bulk of internal sources Rs 314 crores out of Rs 449 rores). Among external ources (totalling Rs 413 cro- es, representing 48 per cent f total sources of funds), orrowings, more than half of vhich was by way of borrow- ngs from banks, constituted he most important source fol- owed closely by trade dues nd other current liabilities. Increase in bank borrowings as a proportion of external sources of funds (adjusted for revaluation due to devaluation/ revaluation of foreign cur- rencies, etc.) was 24.7 per cent. The ratio of current assets to current liabilities in 1976-77 was 1.29, against 1.30 in 1975-76 and debt as a propor- tion of equity was 46.5 per cent, against 45.5 per cent.

The larger expansion in loans and advances and other debtor balances than in trade dues and other current liabili- ties, noticed in 1975-76, con- tinued, indicating a further erosion in the large companies' position as a net absorver of suppliers' credit. This could have been the net result of the reduction inventory holdings of raw materials and compo- nents leading to a contraction in the volume of credit pur- chases, on the one hand, and the simultaneous expansion of credit sales pushing up the debtor balances, on the other. Substitution of bank finance for suppliers' credit in financ- ing existing inventory holdings could also have been a contri- butory factor. The much larger expansion in short-term bank credit than in inventory holdings appears to lend sup- port to this presumption. A question which poses itself in this connection is: Is it that bank finance was cheaper and/ or more easily available than suppliers' credit ?

Diverging Trend

The industry-wise data showed divergences from the overall patterns discussed above. Rubber and rubber products and paper and paper products companies reported decline in both value of pro- duction and sales as compared with 1975-76, while these com- panies, as also cement and shipping companies, reported decline in operating profits, the decline being particularly marked in paper and paper products and shipping industry groups. On the other hand, in aluminium, engineering and chemicals industries, the com- panies had substantially higher operating surplus.

Cotton textiles companies ended the year with an overall deficit of Rs 5.6 crores after making tax provision. These companies had an overall defi- cit of Rs 2.9 crores after tax provision in the previous year. With only a marginal reduction in dividend payments as com- pared with the previous year, the net deficit of 1976-77 amounted to Rs 17 crores. It may, however, be noted that the entire tax, provision and almost the whole of the divid- end payments were made by the 26 profit-making compa- nies, which had an overall surplus of more than Rs 12 crores to plough back into business. Juxtaposing the figures in respect of profit making companies with those of all selected companies in the industry, it would be seen that the 19 loss-incurring compa- nies ended the year with an overall deficit of almost Rs 30 crores.

Companies in the alumi- nium, engineering and chemi- cals industries which turned in an improved performance raised their dividends during 1976-77. Despite a handsome hike in the dividends, the re- tained profits of engineering companies rose sharply from Rs 26 crores in 1975-76 to double that amount in 1976-77. Aluminium and chemicals companies also had larger surplus to plough back into business after payment of higher dividends. Their record was, however, not as impres- sive as that of engineering companies.

Companies in cement and rubber and rubber products in- dustry groups only marginally reduced their dividends, al- though in both the groups the after-tax profits were substan- tially lower than in the pre- vious year. Cement companies had to draw upon their reser- ves to the extent of Rs 3 crores and rubber and rubber product companies, to the extent of more than Rs 4 crores, for making dividend payments. Shipping companies slashed the dividends by more than Rs 2 crores, but this was less than proportionate to the dec- line in the after-tax profits. There was, therefore, a sharp decline of Rs 15 crores, from Rs 21 crores in 1975-76 to Rs 6 crores in 1976-77, in the re- tained in profits of these com- panies. Electricity generation and supply companies could marginally raise their divid- ends and also retain a targer overall surplus than in the pre- vious year.

Working of 404 Large Public Limited Companies

(Rs crores)

	1975-76	1976-77
Value of production	9,262	10,244
Sales*	9,055	10,222
Gross profits	944	1,034
Operating profits	617	669
Profits before tax	669	716
Profits after tax	307	334
Dividends	153	171
Profits retained	155	163
Gross fixed assets	6,118	6,628
Net fixed assets	3,275	3,471
Inventories	2,759	2,770

*Note of rebates and discounts and excise duty and cess.

Finances of selected medium and large private limited companies

The salient features of the overall performance of 1,001 selected medium and large private limited companies (each with a paid-up capital of Rs 5 lakhs or above) during the year 1975-76, as revealed by a study prepared by the division of Company Finances of the department of Statistics, Reserve Bank of India are given below:

THE VALUE of production of selected 1,001 medium and large private limited companies (each with a paid-up capital of Rs 5 lakhs or more) declined marginally and sales showed a small rise during the year 1975-76, in contrast with the handsome growth rates recorded in 1974-75. Operating profits suffered a setback which was reflected in profits before tax and profits after tax. Notwithstanding the reduced profits, the companies declared higher dividends with the result that there was a steep fall in retained profits. Almost the entire amount of dividends declared was accounted for by profit-making companies.

Decline in Assets

The year 1975-76 also witnessed a substantially reduced level of rossg assets formation—less than half of that in 1974-75, a steep decline in the rates of fixed assets formation and capital formation (both gross and net), decumulation of inventories, continued reliance on external sources for financing the major part of even the considerably reduced level of assets formation, rise in debt-equity ratio and moderate decline in the rate of growth in bank borrowings.

The value production of the selected companies in 1975-76 stood at Rs 2,013 crores (against Rs 2,024 crores in the previous year) and sales (net of rebates, discounts and excise duty and cess) at Rs 2,002 crores (against Rs 1,979 crores). The stock of finished goods and work-in-progress were higher by Rs 11 crores, against Rs 45 crores.

Variying Trend

The total expenditure (including interest charges) which has risen by 20.2 per cent in 1974-75 showed a small rise of 0.9 per cent during the year under review. A decline of 0.3 per cent in total income (excluding non-operating surplus/deficit), on the one hand, and a rise of 0.9 per cent in expenditure, on the other, resulted in a decline of Rs 24 crores (29.2 per cent) in operating profits which stood at Rs 58 crores. The decline was in contrast with the 11.5 per cent rise registered in the previous year. The non-operating surplus having increased from Rs 6 crores to Rs 10 crores, the profits before tax at Rs 68 crores (Rs 87 crores in 1974-75) showed a decline of 22.3 per cent. There was a downward adjustment in tax provision which at Rs 53 crores absorbed a larger share of pre-tax profits (78.7 per cent) in 1975-76 than in the previous year (63.0 per cent). Profits after tax declined by 55.2 per cent to Rs 14 crores in 1975-76 (Rs 32 crores in 1974-75). This was in continuation of the decline in the previous year.

Although the after-tax profits were substantially lower, the dividends declared were higher at Rs 13 crores in 1975-76, compared with Rs 10 crores in 1974-75. Dividends accounted for as much as 91.6 per cent of the post-tax profits in 1975-76, against 30.6 per cent in 1974-75, the profi making companies accounti for almost the entire amou of dividends declared. As result, retained profits dro ped steeply from Rs 22 cro to Rs 1 crore. All the select profitability ratios show substantial declines in 1975- as compared with 1974-75.

The gross assets formati of the selected companies clined steeply by over Rs crores from Rs 177 crores 1974-75 to Rs 73 crores 1975-76. The rate of grow in gross assets at 4.8 per c in 1975-76 was far lower wh compared with the 13.2 cent growth in 1974-75. Ra

Growth and Working of 1001 Medium and Large Private Limited Companies

(In crores of rupe

	1974-75	1975
Value of production	2,023.52	2,012
Sales @	1,978.82	2,002
Gross profits	135.94	122
Operating profits	81.94	57
Profits before tax	87.26	67
Profits after tax	32.30	14
Dividends	9.89	13
Profits retained	22.41	
Gross fived assets	603.82	65
Net fixed assets	315.82	33
Inventories	447.08	44
Gross capital formation*	135.75	4
Net capital formation*	101.27	1
External sources*	104.97	3
External sources as per cent of total sources of funds*	59.4	5
Short-term bank borrowings as per cent of inventories	57.7	5
Increase in bank borrowings as per cent of external sources*	25.5	4
Ratio of current assets to current liabilities	1.14	
Debt as per cent of equity	29.2	

@Net of rebates and discounts and excise duty and ces
* Adjusted for revaluation due to devaluation/revalu of foreign currencies, etc.

fixed assets formation, th gross and net, at 7.6 per nt and 5.2 per cent in 1975- were lower than the cor- sponding rates of 11.1 per nt and 8.9 per cent in 1974- . Fixed assets formation counted for the largest share 3.5 per cent) of gross assets rmation in 1975-76, while in e previous year the share of ventories was the highest at 2.7 per cent. The lower rates f fixed assets formation, oupled with decumulation in ventories to the extent of .6 per cent in 1975-76, led to eep declines in the rates of apital formation (gross and et) from 14.9 per cent and 5.3 per cent in 1974-75 to 4.1 er cent and 1.8 per cent res- ectively in 1975-76.

Depressed Growth

Although the gross fixed ssets formation was of the rder of Rs 46 crores in 1975- 76 (Rs 60 crores in 1974-75), decumulation in inventories epressed gross capital forma- ion to Rs 43 crores in 1975- 76, against Rs 136 crores in 1974-75. The decumulation in inventories was brought about by drawing down of raw materials, components, etc., and other inventories which was partially offset by an in- crease in finished goods and work-in-progress. The decu- mulation of 0.6 per cent in inventories, on the one hand, and the rise of 2.9 per cent in short-term bank borrowings, on the other, pushed up the ratio of short-term bank bor- rowings to inventories from 57.7 per cent in 1974-75 to 59.7 per cent in 1975-76.

Although external sources retained their dominant posi- tion in relation to total sources of funds which amounted to Rs 73 crores in 1975-76, as against Rs 177 crores in the previous year, their share came down from 59.4 per cent (Rs 105 crores) in 1974-75 to 53.8 per cent (Rs 39 crores) in 1975-76. Trade dues and other current liabilities con- tinued to be the largest source of external finance, but their share declined sharply from 70.2 per cent (Rs 74 crores) in 1974-75 to 52.9 per cent (Rs 21 crores) in 1975-76.

Sources of Funds

The contribution of bank borrowings declined from Rs 27 crores in 1974-75 to Rs 16 crores in 1975-76, but its relative share in external sources increased from 25.5 per cent to 41.0 per cent.

Among internal sources of funds, reserves and surplus were depleted to the extent of Rs 4 crores, this depletion being partly countervailed by capitalisation of reserves (Rs 3 crores). Provisions pro- vided Rs 35 crores of internal sources.

The current ratio showed a fractional decline from 1.14 in 1974-75 to 1.13 in 1975-76 while the debt-equity ratio increased from 29.2 per cent in 1974-75 to 32.8 per cent in 1975-76.

Higher growth rates in sales compared with 1974-75 were recorded by companies in the industries/industry groups metal mining, sugar, jute tex- tiles, woollen textiles and hotels, restaurants and eating houses. Among these, larger growth rates in the value of production were also recorded by the industries industry groups sugar and hotels, res- taurants and eating houses. Both sales and value of pro- duction declined in edible vegetable and hydrogenated oils, cotton textiles, paper and paper products glass and glass- ware, construction and trad- ing.

The only industries/industry groups showing an increase in oprating profits were tea plan- tations, metal mining, jute textiles, woollen textiles and hotels, restaurants and eating houses. On the other hand, companies in grains and pulses, edible vegetable and hydrogenated oils, cotton tex- tiles, and glass and glassware which had shown operating surpluses in 1974-75 sustained losses in the year under review. Woollen textiles companies which had incurred an opera- ting loss of Rs 18 lakhs in 1974-75 recorded operating profits of Rs 18 lakhs in 1975- 76. Sugar industry incurred a huge operating deficit of Rs 315 takhs in the year under review, in continuation of a deficit of Rs 38 lakhs in 1974- 75. The industries/industry group-wise trends in profits before tax were very much similar to those observed in the case of operating profits.

The bulk of the gross assets formation was accounted by metal mining (Rs 7 crores), engineering (Rs 19 crores), chemicals (Rs 9 crores), cons- truction (Rs. 5 crores), trad- ing (Rs 5 crores), sugar (Rs 4 crores) and shipping (Rs 3 crores). Tea plantations, metal mining, silk and rayon tex- tiles, engineering, chemicals and shipping were the indus- tries/industry groups which relied to a relatively greater extent on internal sources for financing assets formation. In the case of jute textiles and hotels, restaurants and eating houses, the entire gross assets formation was financed by internal sources. As against this, grains and pulses, edible vegetable and hydrogenated oils, sugar, and glass and glass- ware depended solely on exter- nal sources for financing gross assets formation. About half the gross capital formation for all the industries put together was contributed by engineer- ing (Rs 12 crores), chemicals (Rs 5 crores) and construction (Rs 5 crores). Gross capital formation rates exceeded 10 per cent in the case of cons- truction and shipping.

As against an overall in- crease in debt as percentage of equity, companies in edible vegetable and hydrogenated oils, silk and rayon textiles, woollen textiles, rubber and rubber products, paper and paper products, shipping and hotels, restaurants and eating houses showed declines in the debt-equity ratio.

The deficit in net working

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capital amounted to Rs 192 lakhs for sugar companies, Rs 4 lakhs for cotton textiles, Rs 6 lakhs for woollen textiles, Rs 691 lakhs for shipping and Rs 68 lakhs for hotels, restaurants and eating houses. While in the case of woollen textiles, and hotels, restaurants and eating houses, the deficit was less than that in the previous year, in respect of sugar and cotton textiles, the deterioration was in contrast to a net working capital of Rs 42 lakhs and Rs 4 crores, respectively, in 1974-75. Tea plantations companies which showed a net working capital deficit in 1974-75 improved their liquidity with a net working capital of Rs 60 lakhs. Of the remaining industries/industry groups those which improved their liquidity position substantially were metal mining and chemicals. As against this, deterioration in current ratio was noticed chiefly in grains and pulses, edible vegetable and hydrogenated oils, and shipping.

Value added by non-financial corporate sector

The contribution made by the non-financial corporate sector to national income as measured in terms of the value added is highlighted in a study prepared by Mr V.V. Divatia (Executive Director) and Mr Kripa Shankar (Deputy Director, Department of Statistics) included in "Occasional Papers" (Vol. II, No. II) published by the Reserve Bank. The findings of the study are summarised here.

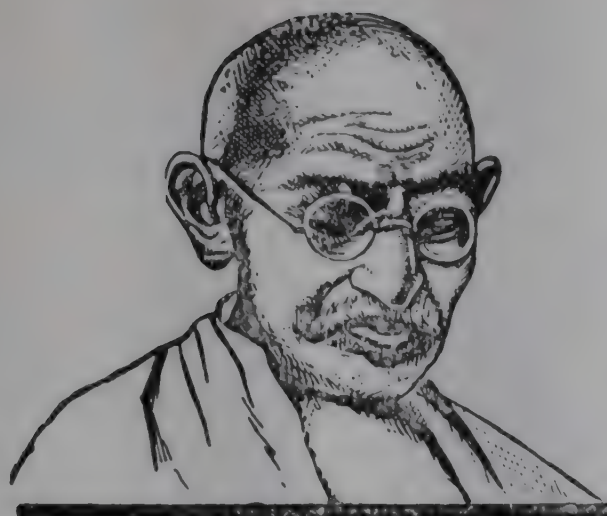
THE GROSS value added by the non-financial corporate sector rose from Rs 3,859 crores in 1970-71 to Rs 6,082 crores in 1973-74, recording an increase of 57.6 per cent. During the same period, the net value added increased by 63.4 per cent from Rs 3,199 crores to Rs 5,227 crores.

This sector contributed 11.6 per cent of the gross value added and 10.5 per cent of net value added (at factor cost and current market prices) by the entire Indian economy in 1973-74 for which the estimates of gross value added and net value added are placed at Rs 52,519 crores and Rs 49,720 crores, respectively. The corresponding shares for the year 1970-71 were 10.5 per cent and 9.2 per cent, respectively. In terms of value added the non-financial corporate sector's contribution to the economy during the period 1970-71 to 1973-74 had thus increased.

Gross value added by the non-financial corporate sector, which showed an increase of 9.0 per cent in 1971-72 and 15.6 per cent in 1972-73, rose sharply by 25.1 per cent in 1973-74. Similarly, the net value added increased by 10.0 per cent in 1971-72, 16.2 per cent in 1972-73 and by as high as 27.9 per cent in 1973-74. This to a grert extent was brought about by substantial growths in value added by government companies (at current prices) during 1972-73 and 1973-74. Though public and private limited companies also showed marked improvement in this regard in the year 1973-74, the growth in respect of government companies was more pronounced. The abnormal increases in the value added in 1973-74 are to a great extent due to the influence of the very price increases during the year 1973-74. The wholesale price index (1970-71 100) increased by 5.6 per cent in 1971-72, 10.0 per cent in 1972-73 and 20.2 per cent in 1973-74 over their respective previous year's levels. The real increases in value added would have been, therefore much less than those seen through figures at current prices.

Both in terms of gross and net value added, the contribution of public limited companies in the total for the entire non-financial corporate sector was the highest, followed by government companies and private limited companies. The share of gross value added by public limited companies, however, declined sharply from 64.4 per cent in 1970-71 to 56.1 per cent in 1973-74. On the other hand, Government companies, which accounted for 19.0 per cent of the total gross value added in 1970-71, improved their contribution gradually but significantly to 28.5 per cent in 1973-74. The share of gross value added by the private limited companie fluctuated between 15 pe cent and 17 per cent durin the four years, though wit a tendency to decline durin latter years. Similar trend prevailed in the case of ne value added also during th four year (1970-71 to 1973-74 period, the share of publi limited companies declinin from 66.9 per cent to 57. per cent and that of th government companies risin sharply from 15.3 per cen to 26.5 per cent. The shar of private limited companies though declining, fluctuate between 16 and 18 per cent.

Gross capital formation b the non-financial corporat sector, at Rs 1,509 crores i 1971-72, increased by Rs 40 crores or 26.7 per cent i 1972-73 and substantiall by Rs 993 crores or 51.9 pe cent over 1972-73 figure t reach a figure of Rs 2,90 crores in 1973-74. The in crease in 1972-73 was mainl due to the increase (76.8 pe cent) in the gross capital for mation by government com panies. In fact, for publi limited companies, the gros capital formation in this yea was actually lower tha that of the previous year During the year 1973-74, th gross capital formation b goverement companies in creased substantially by Rs 51 crores (56.6 per cent). The increase by public limited companies was Rs 386 crore (49.9 per cent) and privat limited companies was Rs 9 crores (40.0 per cent). Thus unlike in 1971-72, in the tw subsequent years, the contri bution of government com panies to total gross capi tal formation in the non financial corporate sector wa almost of the same order a the private sector as a whole.



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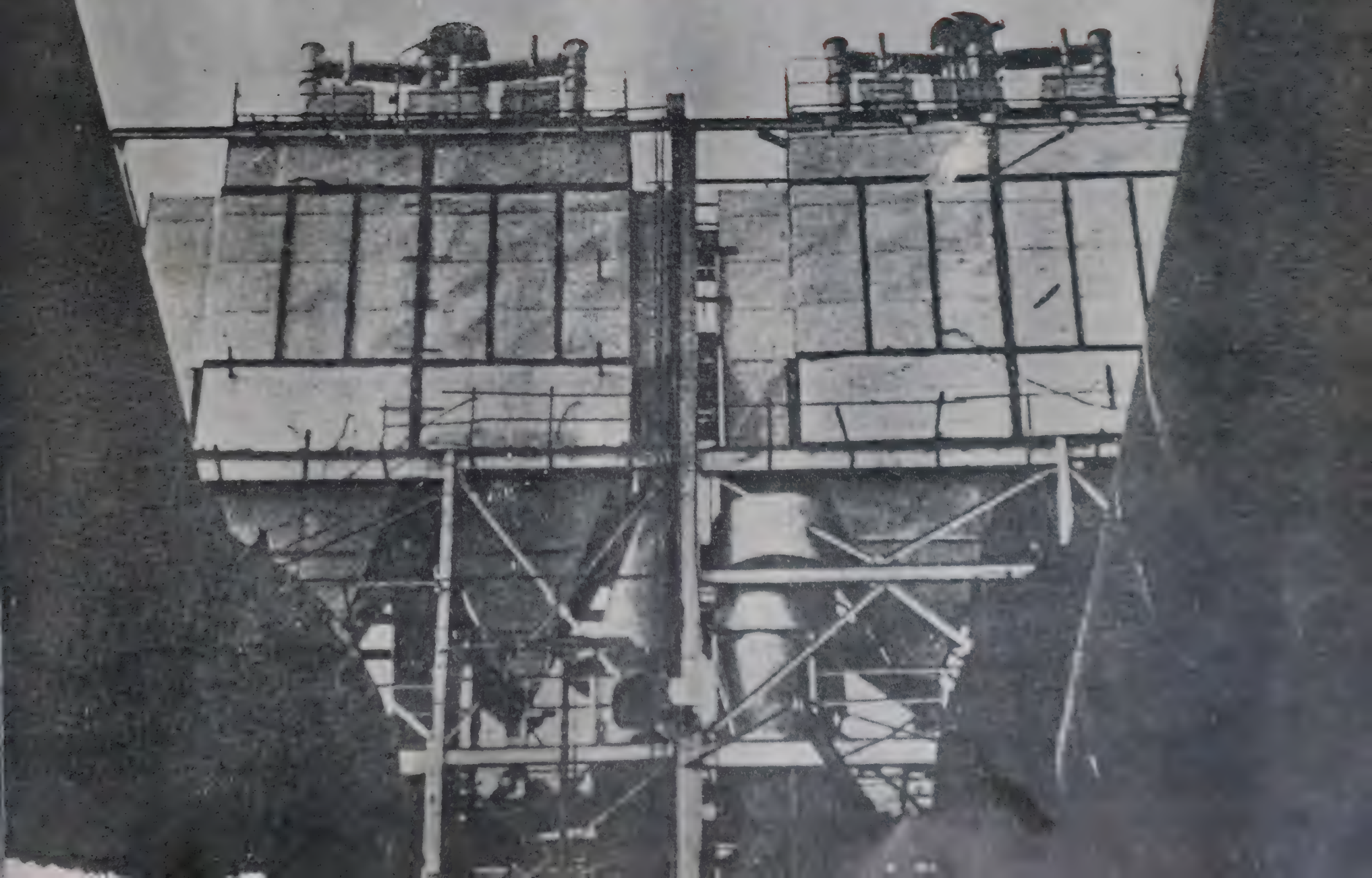
Directors' Report : April 11, 1978



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Vandalism Against Hindalco

GIVEN ITS ample bauxite base and the fine record of its manufacturing units, the aluminium industry should normally have been able to meet in full the needs of this country for both electrical grade and commercial grade materials. Unfortunately it has been beset with problems and difficulties in fully utilizing its installed capacity or exploiting its growth potential. As a result, India, which was a net exporter of aluminium in 1975-76, became a net importer last year merely in order to cope with the avoidable domestic shortages of the metal.

In the ordinary course, the industry was expected to produce up to 260,000 tonnes in 1977 or about twice as much as it had done in 1974. The actual production, however, was only about 180,000 tonnes as against the installed capacity of 275,000 tonnes or in comparison with the output of nearly 211,000 tonnes in the previous year, when the installed capacity was only 250,000 tonnes.

Part of the set-back in 1977 was due to the delay in the commissioning of new potlines at the smelter of Bharat Aluminium Company, which is in the public sector. But the main obstruction was the shortage of electric power which had hit all units in the industry, while affecting some of them more adversely than the others. In this context the experience of the Hindustan Aluminium Company is in a class by itself. Apart from the *bona fide* cuts in power supply, which might have been necessitated by the shortfall in the generation of electricity or the inefficiency in the functioning of the UP State Electricity Board, HINDALCO was continuously and systematically harassed by arbitrary acts of political prejudice. Attempts were made to impose punitive rates of tariff on the power supplies made to the company's plant at Renukoot and it was all along obvious that the UP State Electricity Board was acting at instigation of or even under the coercion exercised by the minister for Power. Mr R. K. Shahi, in fact, seems to have made up his mind to make it impossible for HINDALCO to continue to function or even exist unless its management is prepared to toe his line, whatever that line may be.

This persecution reached its climax with the issue of an order by the UP government completely stopping the supply of power to HINDALCO by the UP State Electricity Board. This order was sought to be justified on the ground that, since it had become necessary to impose a general cut of 50 per cent on the supply of power to certain categories of large industrial consumers, it would be proper to take into consideration the electricity generated by HINDALCO's own captive power plant, which was able to meet about half of the requirements of the factory and direct the HINDALCO management to do without drawing any additional supply from the UP State Electricity Board. The company pleaded in the Allahabad High Court that this order was *mala fide* and illegal and the High Court delivered its judgment in April this year quashing the UP government's order as *ultra vires* and directing the UP State Electricity Board to supply electrical energy to the company in accordance with the law. The state government has appealed to the Supreme Court against the judgment of the Allahabad High Court and, pending the hearing of the appeal, the Vacation Bench of the Supreme Court has decreed certain reliefs to the HINDALCO in the matter of continued power supply by the UP State Electricity Board.

This is the background against which the minister for Power in the state government is campaigning for the nationalization of the Hindustan Aluminium Company. He has been doing propaganda in the press that the UP government has sent a communication to the central government asking for the nationalization of the company. There are grounds for believing that Mr Shahi is misrepresenting the situation and that the state government has not in fact taken the position attributed to it by the minister for Power. What seems to have happened is that, apart from holding informal discussion with Mr George Fernandes, the minister for Industry in the central government, Mr Shahi seems to have written to the minister for Steel and

Mines, Mr Biju Patnaik, urging the nationalization of HINDALCO. (According to press reports, Mr Revati Raman Singh, minister of state for Industries in the UP government, has said that the state government has not only not sent any proposal to the centre for nationalization of HINDALCO, but has actually expressed itself against any such move.)

Mr Shahi, evidently, is a good intriguer. Nevertheless, he may be less skilful in his chosen vocation than he thinks he is. The grounds on which he is urging the nationalization of HINDALCO are a rigmarole of falsehoods or outrageous absurdities. He has made a grievance of the fact that the company has been successfully defending its rights or enforcing its claims through arbitration proceedings or by seeking legal redress. The implication is that the company has not agreed to Mr Shahi's preposterous requirement that it should voluntarily forego the protection of the law and the courts against such excesses as Mr Shahi may commit or be planning to commit at his sweet will and pleasure.

ulterior motives

The minister has accused the company of evading or refusing payments of dues owed to the state electricity board or the state government. He has conveniently omitted to mention that the payments claimed from the company have been disputed and that the validity of these claims is yet to be pronounced upon by the competent authorities. In one particular instance, viz, the surcharge on coal which the company is being asked to pay, the state government and the management of the company have jointly referred the issue to the central government for its verdict. That even in these circumstances Mr Shahi should be accusing the company of defaulting on the payment of the coal surcharge clearly shows that he must have some ulterior motives in carrying on his campaign of vilification.

It is of course extremely unlikely that Mr Shahi or anyone else, including such fellow conspirators as he may have in high places, will succeed in bullying the government of India into taking over the ownership and management of HINDALCO. This is for the simple reason that no economic or legal justification exists for such a step. The company has an excellent growth record, interrupted only by factors beyond its control, such as the inefficiency or malpractices of the UP State Electricity Board, from which it must derive a part of its requirements of electricity and the politically or otherwise motivated harassment by certain political factions or politicians in the state, particularly the present minister for Power, Mr Shahi. The company, in fact, is in the process of expanding its manufacturing capacity at a time when the country needs an early increase in the output of the metal. In fact the construction work on the fourth potline in the reduction plant, which was scheduled to be completed by the end of 1977, has had to be slowed down because of the arbitrary withdrawal of power, which the state government decreed, thereby creating uncertainty of a political or se political nature about the regular fu tioning of the plant in the future.

The aluminium industry is an essen industry in the core sector of the econo and the central government has both primary and ultimate responsibility the stability of its production and expansion of its capacity. It may sui small-time politician in a provinc capital to attempt to wreck the functi ing and progress of a leading unit in t industry because he finds that he cann have his way with the management of company. But the HINDALCO issue not one between a single politician o pair of them on the one side and handful of industrialists or compa executives on the other. The employe of this company, its shareholders and consumers of its products have a dir stake in the contribution it is making the national economy.

Steel prices up

COMING IN the wake of the spurt in the prices of several categories of steel during the past couple of months and the indication given by the minister for Steel, Mr Biju Patnaik, three weeks ago, of an upward revision, the government's decision to raise with effect from June 5, the prices of all categories of steel by Rs 175 per tonne on an average does not come as a surprise. The impact of this decision has been primarily on the JPC prices as the stockyard prices had been stepped up a few days back by the steel producers themselves. The changes in the stockyard prices effected now, therefore, have been marginal and are restricted to cases where the recent upward revision had been to a lesser extent than the average increase of Rs 175 per tonne.

The rationale for the above decision is not far to seek. A sizeable general increase in steel prices has been allowed only after five years, the last such revision having been effected in 1973 when the average price was raised by Rs 75 a tonne. Subsequently, the adjustments made have been only marginal, barring in 1975 when the prices of some categories of steel wa allowed to be raised by Rs 80 a tonne a sequel to the statutory increase in co prices. The cost of production of steel stated to have gone up during the last fi years by approximately Rs 300 per tonn after part of the mounting costs bei absorbed by the industry through impro ed operations and productivity. T general increase has been restricted Rs 175 a tonne taking into considerati that an increase of a higher order in t case of stockyard prices of some iter would compensate the industry not on for the remainder escalation in costs b also ensure a 12 per cent return on n worth at 90 per cent capacity utilisatio Since the revised prices would have pr vided an undue advantage to TISC because of its low capital costs, the div dend to TISCO shareholders has be restricted to 12 per cent. The extra ear ings of the company, it has been stipula ed, will have to be utilised for its mode nisation and rehabilitation programm which require heavy investment.

Another significant decision that h

n taken is the imposition of a sur-
rge of Rs 100 per tonne on the produc-
n and sales of non-priority categories—
categories other than plates, structurals
d railway materials. The proceeds from
s surcharge are to be funded separately
d made available to the industry for the
odernisation, rehabilitation and develop-
ent plans. The details of the operation
this fund are being worked out; they
e envisaged to be announced shortly.
his should curtail the budgetary support
eing made available by the government
or the modernisation, rehabilitation and
evelopment programmes of the industry,
hich till lately were also being financed
artly through a development fund to
hich accruals came from the differences
n the average sale prices of steel and the
etention prices being paid to the indi-
genous manufacturers. As a result of the
cost of production going up and conse-
quently the retention prices, fresh accruals
o this fund had dried up in the recent
years.

containing capital costs

The exemption to plates, structurals and railway materials from the purview of the surcharge, presumably, has been allowed with a view to containing the capital costs of governmental projects. Opinions will differ on whether it is proper to call only upon the consumers of non-priority categories of steel, such as bars and rods, to make larger sacrifices for the development of the industry. If the housing programmes are considered to be priority programmes in the context of the Janata government's pronouncements, there was no justification for singling out non-priority categories for the imposition of the surcharge.

As a result of the raising of the JPC prices, the dual pricing of steel has practically been dispensed with. The difference between the JPC prices and the stockyard prices has narrowed down substantially. Hitherto it was much wider—on an average about Rs 200 per tonne, in some cases even as much as Rs 350/400 a tonne. This implies that the small and medium-scale consumers who had to depend for their requirements on the stockyards, as they could not order full rakes at JPC prices, were at a distinct disadvantage compared to the large consumers who could indent for their requirements straight at the JPC prices. This facility is being extended even to the medium and small-scale consumers if they want to avail of it. But the substantial narrowing down of the difference between the JPC and stockyard prices in itself would be a marked improvement over the present situation.

Yet another important decision announced by the government is that a buffer stock of steel would be built up to be drawn upon if the domestic production fell short of demand. Significantly enough, it has been decided that the imported as well as indigenous supplies of any particular category of steel will be made available to consumers at a pooled price so that the users of imported steel are not placed at a disadvantage in comparison with those using domestic steel. Imported steel at present costs about Rs 1,000 per tonne more than the domestic steel and this has been one of the main reasons for most of the industrial consumers hesitating to use imported steel. This anomaly will be rectified as a result of the above decision, although it will raise the prices of some categories still further, depending upon the international market and the quantities imported. The details about the pooling scheme are yet to be announced.

The impact of this decision on steel prices perhaps can be minimised in so far as end-products of the engineering industry for the domestic market are concerned, if the imported supplies are primarily made available for use in producing exportable goods which are entitled to drawback of customs duties. The need for sizeable imports of materials such as cold rolled sheets, some heavy structurals, skelp and strips, etc, is understood to have arisen because of their production going down recently, particularly at the Bokaro and Durgapur works due to deterioration in industrial relations and power supply. The pooling of the prices of imported and domestically produced steel assumes heightened significance against this background.

The slight improvement in the domestic offtake of steel, incidentally, has brought down the stocks with the industry to just about 700,000 tonnes, comprising mainly bars and rods. Exports too have tended to decline. This should suggest that any substantial pick-up in economic activity in the country will create shortages of steel. A fresh look at the expansion of the steel industry, therefore, is warranted. With a view to containing imports, the steelworks need to concentrate on attuning their production programmes to the specific needs of the consumers. They have been doing so to some extent in the recent past. But relating the general steel prices to 90 per cent capacity utilisation endangers some shifts in production patterns.

The increase in prices, incidentally, may help in reviving the mini-steel plants. But the extent of this recovery will depend

on the efforts at containing the prices of scrap which have gone up considerably. The excise duty on electricity is another burden on these units. Since electricity is an essential input of mini steel plants, their case for exemption from this duty can be considered on the same footing as the cases of the other industries in which electricity forms a large part of actual production cost of goods.

The impact of the increase in steel prices, including the surcharge imposed for modernisation, rehabilitation and development programmes, on the production costs of the consumer industries, of course, should be significant. But the mischief could be limited if the consuming industries are supplied steel according to their specifications. This will avoid undue wastages. Further, it has to be noted that the consumers have been paying much higher prices for some scarce categories in the recent months. The prices of these varieties of steel should now stabilise at reasonable levels and, in any case, some of the "excess" profits would now accrue also to the main steel producers.

Planning for oilseeds

SELF-SUFFICIENCY in edible oils has eluded this country resulting in increasing imports year after year. The ministry of Civil Supplies had estimated that about a million tonnes of edible oils would need to be imported in 1977-78 (November—October) but the latest trends indicate that the volume of imports might be higher at 1.2 million tonnes. The State Trading Corporation of India Limited (STC) is expected to import 750,000 tonnes of edible oils—500,000 tonnes of soyabean and palm oil for the vanaspati industry and 250,000 tonnes of rapeseed oil for direct consumption. The private trade which is permitted to import edible oils under the Open General Licence is anticipated to import not less than 450,000 tonnes. This order of import of edible oils will undoubtedly cover the estimated gap between demand and supply placed at 950,000 tonnes. While indigenous output of edible oils is envisaged to be around 2.45 million tonnes, total demand is computed to be about 3.40 million tonnes. Thanks to the comfortable foreign exchange position of the country at present, it has been possible to satisfy domestic needs of edible oils through liberal imports but continued reliance on imports can become an intolerable burden in the next few years.

A projection made by the Central Organisation for Oil Industry and Trade indicates an increase in the gap between demand and supply of edible oils to 1.77 million tonnes by 1987. To import edible oils on such a scale will cause not a mean burden on the foreign exchange resources of the country. The obvious solution of the problem lies in increasing domestic production of oilseeds by taking adequate measures in different areas of activity. The fact of the matter is that hitherto the government has laid stress on the increased production of foodgrain crops and sugarcane neglecting some of the cash crops such as oilseeds. Just as the liberal incentives provided for the production of foodgrain crops and sugarcane have resulted in embarrassing surpluses of wheat and sugar, the situation in regard to edible oils can also be changed if facilities are provided to farmers in the shape of essential inputs and remunerative price-support measures. Half-hearted steps taken in this regard are bound to fail.

Among the oilseeds produced in our country, groundnuts hold the premier position though during the past decade, they have a record of fluctuating output. The area under groundnuts has declined somewhat instead of increasing during the past 10 years. While in the case of wheat and other cereals and sugarcane, intensive research has yielded high-yielding varieties of seeds, no such breakthrough has been possible in the case of groundnuts. This is a crop which is largely grown in arid areas and the yield per acre depends on the quantity of rainfall in a season. Assured irrigation fa lities, improved varieties of seeds a liberal availability of inputs, are ess tial for raising the level of prod tion of groundnuts in our country. the same time the farmer should ensured price support in a season wh production exceeds domestic demand. will be possible for this country to self-reliant not only in the case groundnut seeds and groundnut oil also in the case of other oils and oilse also if an integrated approach is adopt for the promotion of these cash crops.

In the next few months, the position regard to the availability of vanasp (hydrogenated oil) is not likely to impro even though steps have been taken hasten the import of edible oils fro abroad through the STC and also t private traders. Happily, a distributi system is being worked out by the Van pati Manufacturers' Association of Inc (VMA) so that vanaspati is made availab to the consumers all over the country stable prices.

STC's role

The VMA has taken steps to che profiteering by manufacturers, whol salers, dealers and retailers. For th purpose, a voluntary distribution syste at 20 major vanaspati consuming centr is being set up. However, the associati will succeed in its efforts only if t STC does not bungle the supply of impo ted oils which constitute nearly thre fourths of the raw material for the man facture of vanaspati. The congestion the Bombay port is currently report to have already delayed the supply imported oils to the manufacturers vanaspati.

The government of India is at prese engaged in an exercise to formulate scheme for the sale of articles of ma consumption at fair prices through th public distributton system. Among th articles of mass consumption, edible oi and vanaspati occupy ranks of impo tance.. Mr Mohan Dharia, the minist of Commerce and Civil Supplies, wh is currently going round the countr is discussing this problem with sta governments. He is expected to finali his report by the end of the current mont

indeed encouraging to note that Mr ria is not dealing with the various cts of distribution alone; he is also centrating on problems of production, curement, storage, transport and distri- on. In the case af oilseeds, the em- sis has to be on such measures as ild result in enhanced output but till attainment of self-sufficiency, imports oils will have to be continued and en prices of imported oils tend to be the high side, some subsidy for the sumers will need to be provided.

The draft plan for the period 1978-79—82-83 has proposed the raising of the tput of oilseeds to 12.05 million tonnes 1982-83. Keeping in view the erratic owth of oilseeds in this country in cent years, the proposed increase in oduction certainly appears to be ambitious. However, the comprehensive programme chalked out by the Planning Commission in this regard is likely to yield the desired results if the centre and the state governments lend a helping hand in giving a boost to the oilseed crops. The VMA has for the past many years been trying to assist the oilseed growers but so far the cumulative results of such efforts have not been very encouraging. Now from February this year, the association has agreed to contribute voluntarily Rs 25 per tonne of imported oil for the establishment of a fund for research in this field. It is now hoped that with these funds, the research activities may get accelerated resulting in the discovery of new varieties of seeds and improved yields of all oilseed crops and particularly of groundnuts.

Compensation troubles

THE PAYMENT of compensation to the erstwhile companies by the Tamil Nadu government in respect of the assets and liabilities taken over by it, in pursuance of the special legislation enacted in December 1973, has been the subject of protracted negotiations between the managements of erstwhile undertakings and bureaucrats of the state government. Before special legislation was passed and it was decided to change the basis of compensation, the state government had discussions with prominent members of the affected undertakings and the impression was given that there would be a speedy settlement of claims and disputes may be referred to arbitration. However, the negotiations for determining the quantum of compensation have been unduly prolonged and even though more than four years have elapsed since the undertakings were taken over by the government, it is not clear what will be the method of computation of compensation and how soon payment will be made.

The registration does not provide for any time bound schedule for finalising negotiations. It has only been stated that the first instalment of compensation should be deposited with the notified bank within four months from the date of determination of such compensation. The absence of any specific time limit is due to the fact that it was generally expected at the time of enactment of legislation, on the basis of oral assurances, that there will be no delay in quantifying the compensation and the first instalment would become available within a short period from the take-over of the undertakings concerned.

The expectations in this regard have not however materialised as the change of government and the differences in interpretation over the method of computation of compensation have had a complicating effect and there is now a sense of frustration over the ultimate outcome. The unhappiness of the erstwhile managements and the thousands of shareholders is due to the fact that the compensation payable under the new Act will be far less than the quantum on the previous basis and the government will be benefiting by assets having a replacement value of over Rs 30 crores while the compensation involved on the basis of its reckoning will not be more than four crore rupees.

The act provides for payment of compensation on the basis stipulated in the schedule and the amount will be calculated after determining the average profits for five consecutive years preceding the take-over of the concerned undertaking, the multiplier being 10 times the average profit. As disallowances have been made when determining the clear profit for liabilities relating to net accrued gratuity in respect of employees of the undertaking absorbed by the government and adjustments were also made in regard to allocations to specific reserves not usable by the companies, the compensation offered by the government has proved far short of the estimates of the erstwhile managements.

Since the compensation is payable in three annual instalments from the date of first payment and interest will accrue only at the rate of six per cent from the time of vesting of the property with the government, there had been no hurry to effect a settlement. The shareholders are feeling exasperated as they have not received any income on their investment for five years. There could be 'dividends' from the undertaking only out of the instalments towards compensation on interest payments on ad hoc basis against national compensation the denial of income has caused considerable hardship to small shareholders particularly as regular dividends were being paid in earlier years which ranged between 11½ and 15 per cent on equity capital annually.

The state government is not the loser as interest is payable only at six per cent

Announcement

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simple and it is lower than what loans issued for public subscription are carrying. It is not however correct to delay further the finalisation of the quantum of compensation as the earlier assurances have not been implemented and the managements also have been agreeable to accept smaller amounts initially and refer outstanding issues to arbitration. The gap in thinking will be evident from the fact that the earlier estimates of the managements were around eight crores of rupees for all the seven undertakings and latterly they would be prepared to accept even six crores of rupees in final settlement.

The state electricity board will not be burdened with any heavy responsibility as average of profits of the six undertakings whose equity shares are listed in Madras Stock Exchange, for 1971-73 was Rs 98 lakhs before depreciation and taxation and Rs 48 lakhs after taxation. Since the sale of energy has been increasing at the rate of 10 per cent annually, the income should be around Rs 10 crores currently enabling a net profit of one crore rupees yearly, allowing for depreciation of Rs 60 lakhs. While it will be valid to take the average profits for five years only for determining the basis of compensation, what really matters from the point of view of servicing an amortising loan obligation is the current level of incomes. Even if it is argued that considerable expenditure will have to be incurred on extension of facilities and maintenance, the potential for growth is being profitably exploited and income generation has been satisfactory especially as tariff rates also have been suitably raised.

Even if the compensation ultimately agreed turns out to be six crore rupees the interest payable will be only Rs 36 lakhs annually. Assuming that bonds will have to be eventually issued for funding the cash amounts paid to the undertakings, the interest burden will not be more than Rs 40 lakhs yearly so that internal resources will be augmented to the extent of Rs 60 lakhs yearly and any loans specifically issued as part of the funding operation can be repaid in 12 years. Instead of thinking on these lines, the government departments have been picking loopholes in the act and raising one issue or other for minimising the quantum of compensation. The anxiety of the government to reduce its liability is understandable. But it will not be according a fair deal to the aggrieved shareholders if payments, even on the basis of the minimum increment, are delayed as any amount paid to erstwhile undertakings can be quickly distributed to the shareholders. In turn, they can invest the released amount suitably and receive a larger income than six per cent which is the rate of interest agreed to be paid by the government.

The authorities have been suggesting that the payments made should be accepted in full settlement of all claims though at particular stages it was agreed that disputed issues can be referred to arbitration. As the amount offered by the government is 40 per cent less than the estimates of the managements there is understandably reluctance to accept the offered amount in full settlement. The proper course would be to make ad hoc payments on the basis of the agreed issues and refer the disputed items to arbitration on the definite understanding that the award would be binding on both parties. This is essential because even the arbitrator's award in respec Tiruvarur Mayuram undertaking of So Madras Electricity Corporation was accepted by the state government an was disputed before the high court is learnt that the judgement of the h court substantially confirmed the aw but payment has still not been ma though the undertaking was absorbed the state electricity board much earl than the nationalisation of the sev electricity supply companies under re rence. In view of the fact that differ helpful procedures have been adopted the Maharashtra and other governme and there has been no similar delay payment of compensation, it is only be hoped that the Tamil Nadu gove ment will arrive at a workable arrang ment and pay the entire amount in bon if need be as the payments in three inst ments in cash cannot be contemplat now. The bonds will be easily absorb by market or the undertakings themselv can have them sold without any loss aft being accepted by them in payment. It therefore necessary to take an early de sion and remove the uncertainties relati to the determination of compensation a assuage the feelings of the aggrieve shareholders.

Eastern Economist 30 Years Ago

JUNE 18, 1948

The extent to which the International Bank for Reconstruction and Development is dependent upon the United States financial policy for its guidance in its own operations has become increasingly apparent in recent days. Each new development in the American economic policy brings concomitant reaction within the World Bank, particulary in respect of the European scene. The President of the Bank frankly admits that when the United States announces its intention to provide loan or grant to any foreign country that country automatically becomes a much more desirable candidate for the loan from the World Bank. He explains this by pointing out that the World Bank must constantly seek to determine equity behind loan which it grants and that American assi tance is one of the prime equities available toda This of course has caused the World Bank to some financial acrobatics on occasions when it h misinterpretd U. S. financial aims, particular with respect to Congressional willingness to rati Administration moves. An example of this w provided when Congress showed disposition slash funds for European recovery below wh was asked by the Administration and approved original legislative authorization. This caused t World Bank to suspend indefinitely the consider tion of the various Belgian, Dutch and other loar until it was certain just how much America money these countries would have received und the so-called 'Marshall Plan'.

CAPITAL'S CORRIDORS

R. C. Ummat

ostering industrial growth • Containing labour unrest • Aid from Consortium

A bid to step up the rate of industrial owth from a shade lower than five per nt last year to seven to eight per cent s year, the government is likely announce in the next few days a package measures, mostly administrative but me policy and fiscal as well. They are pected to relate to some of the key and eavy industries which have a vital bear- g on the overall economy. The indus- ies include coal, power, cement, railway agons, commercial vehicles and chemi- als. The new textile policy is envisaged o be announced by the end of the current nonth.

The rate of industrial growth last year declined to slightly less than five per cent from 10.4 per cent in the previous year and six per cent in 1975-76. The setback was caused by such factors as increase in the mandays lost due to disturbed industrial relations from 12.8 million in 1976 to 21.21 million in 1977 and shortages of power.

better utilisation

Though official circles are reticent to give out the details of the package, which are nearing finalisation, it is envisaged to aim at better utilisation of the existing capacities in the interest of immediately raising production as well as on augmenting capacities in certain sectors in terms of the current Plan targets so that the recurring shortages can be obviated over the longer run.

The government is seriously concerned about the scarcities that have emerged in the case of cement (despite the output till lately having been encouraging and augmenting of supplies through imports as well), coal and power. The difficult situation that has arisen recently in regard to movement of goods by rail too is causing serious anxiety. Expeditious augmenting of wagon supplies on various sections through reorganisation of wagon allocations as well as increasing the overall number of wagons is said to be being considered. The orders on wagon-builders, therefore, are likely to be increased substantially. Penalties for holding up of wagons might also be raised. The difficulties in railway movement are sought to be mitigated to some extent through strengthening the road transport system. Hence a step-up in the production of commercial vehicles has been proposed.

power shortage

Concerted efforts are being made to overcome power shortages. But it is being felt that the steps taken so far need to be augmented further, particularly if the target of adding 18,500 MWs generation capacity during the five years to 1982-83 is to be attained.

Special steps are also proposed to be taken to contain industrial unrest in the above key and heavy industries where production has been affected, apart from power and the difficult transport position, by some deterioration in industrial relations.

The fiscal concessions that might be provided for stepping up production are expected to include setting up of captive power stations and subsidy for movement of coal by sea. The grant of rebate in excise duty in some cases on production in excess of a certain base is also not ruled out.

Some re-thinking is understood to have been done on the modernisation and rehabilitation programmes of the existing units. If the imposition of a surcharge of Rs 100 per tonne on the sales of non-priority categories of steel for creating a special fund for the modernisation, rehabilitation and development programmes of this industry is any indication, a similar mechanism might be introduced for modernising and rehabilitating the existing units in various other key sectors of our industrial economy.

The list of industries, equipment imports for which attract a lower customs duty, too, might be enlarged with a view to keeping low the capital costs of new units.

significant suggestions

As regards cement, the minister for Industry, Mr George Fernandes, indicated at the 17th annual general meeting of the Cement Manufacturers' Association, held here last week, that his ministry would expeditiously process two very significant suggestions made by the industry relating to expansion of capacity. The first suggestion is that the promotors' contribution in the case of smaller entrepreneurs entering the field of cement manufacture should be lowered to 10 per cent. The second concerns sanctioning of assistance by financial institutions. The industry has pleaded that once an application is completed in all respects and submitted to financial institutions for provision of assistance, the inter meeting of the financial institutions should give its decision on the application within three months. Examination of the title and completion of disbursement formalities should be taken up simultaneously along with the formalities required for board approvals. Disbursements of loans must commence within three months from the approval by the inter-institutional meetings.

Mr Fernandes hoped that the cement industry would energetically avail of the facility being provided for putting up captive power plants and also the concession given a few days ago on utilising flyash from power stations and slag from

steelworks for making cement. He felt that it was possible to augment cement supplies from domestic sources through further improving upon capacity utilisation. Several units could work to slightly beyond 100 per cent capacity.

The Industry minister also expressed the hope that cement manufacturers would increasingly go in for the recalcination process.

If another important observation of Mr Fernandes at the above meeting is an indication, the concept of having a planned gap between demand and supply from indigenous sources to be met by imports in the case of some industries, enunciated in the current Plan draft document, may undergo some change. This document states that generally industrial investments in the public and the private sectors during the five years to 1982-83 will have to be based, more than in the past, on a comparison of cost of production with the economic cost of imports so that if imports are less expensive, some judicious gap between demand and supply from indigenous sources may be created to be filled in by imports, which will help in using to some extent the foreign exchange reserves that have an inflationary potential.

price fluctuations

As it is difficult to predict fluctuations in the international prices of various products, the planned gap exercises apparently are not going to be easy propositions even otherwise. Therefore, in cases where our own production costs are lower than world standards, the expansion in the existing capacities at a faster rate than envisaged hitherto might have to be thought of and imports of products of these industries would have to be considered only in cases of emergencies like the one that has developed recently in respect of cement. The concept of having a planned gap between demand and supply to be met by imports in some of the key industrial products is hazardous, as it immediately creates a psychology of scarcity. The planned scarcities obviously can get accentuated if there are upsets in import programmes. Such upsets in a country like ours cannot always be obviated for various reasons, important among them being our limited port facilities.

So far as the distribution of cement is concerned, Mr Fernandes called upon the manufacturers to take energetic steps to discipline their distributors. He indicated that the government might have to think of some measures to discipline distribution channels so that marginal scarcities are not taken advantage of by trade for charging high unofficial premia on prices.

* *

With a view to containing industrial unrest and taking remedial steps well in time before strikes or lockouts take place, the ministry of Industry is understood to be experimenting with labour intelligence. Efforts are said to have been made in various industrial undertakings in the recent past to find out unobtrusively if there is any likelihood of deterioration in industrial relations and the causes thereof. Remedial measures are initiated on the basis of these findings. Several strikes are understood to have been averted through this process.

Incidentally, the government does not share the view that the deterioration in industrial relations is as alarming as made out. It is pointed out that the average mandays lost during the past seven years have been around 20 million, barring the two exceptional years of 1974 and 1976 when they were of the order of 40 26 million and 12.80 million, respectively. The 1974 figure was exceptionally high due to railwaymen's strike. In 1976, there were exceptional curbs on strikes and lockouts due to emergency. Even in 1971, during which there was an armed conflict with Pakistan, the mandays lost, it is pointed out, were as high as 16 55 million. The growth in the mandays lost in 1977 to 21.21 million, it is therefore stressed, cannot be considered undue. especially when note is taken of the fact that soon after the revocation of emergency, the pentup feelings of the labour force had to find expression.

It is also pointed out, quite significantly, that of the total mandays lost in 1977, nearly 78 per cent were accounted for by lockouts.

A good deal of concern, however, is being expressed over the violence that characterised industrial unrest in so areas recently. The acts of sabotage striking workers are also being d lored.

* *

A good deal of satisfaction has be expressed in official circles here over outcome of the deliberations of the me ing of the Aid-India Consortium held week. The Consortium has pledged ass tance to us for the current financial ye of the order of $ 2.3 billion. Of th $ 1.2 billion will be provided by World Bank group. The remainder $ billion will be made available by friendly countries which are members the Consortium.

The assistance decided to be ma available fell short of the figure project by the World Bank study team by abo $ 100 million. It was, however, high than assistance pledged for 1977-78 $ 200 million.

The pledging of higher assistance the Aid-India Consortium this ye despite our free foreign exchange resou ces continuing to grow, is significa It not only reflects an endorsement the government of India's developme priorities and objectives but also is indication of the confidence with whi the World Bank and the members of t Consortium view the present state of o economy.

The Consortium, is reported to ha expressed the hope that the governme of India would enhance its efforts encourage private and public investme in industry by providing a more favou able climate for production.

The details of the break-up of the $ billion aid pledged by the friendly cou tries are not yet available. The U government, however, is reported to willing to provide aid of the order of $ million, apart from PL 480 assistan No significant change is said to have be effected in the pattern as well as the ter of the assistance to be provided by t members of the Consortium.

Entrepreneurship and professional management

K. K. Birla

In this article, which we reproduce from *The Hindustan Times* of June 9, Mr K. K. Birla has given an effective reply to politically motivated tirades against the larger business houses. He has brought out clearly and forcefully the distinctive role of the entrepreneurship of business families in the maintenance of the health and the promotion of the growth of industrial enterprises and has shown that there is no conflict between this entrepreneurship and professional management, since each has its own place in the establishment or development of industries and neither can be dispensed with.

HE NEED for professionalising management in the corporate sector has been so onsistently harped on at high levels re-ently that the issue has acquired some ublic importance. On the face of it, the roposal sounds unobjectionable; but it eeds to be studied in depth. This article ttempts to examine this question in its roper perspective.

It has become a habit of late to decry n industrial unit in the private sector on he plea that it is not professionally man-ged. Sometimes, a sweeping condemna-ion is made even without ascertaining whether the performance of the unit is atisfactory or otherwise, and woe unto it f the unit happens to belong to a large industrial house, for in that case all sorts of epithets are hurled and all kinds of threats held out that family management of industrial enterprises will no longer be permitted.

interesting digression

Digressing a little on family management of industries, I would like to refer to an interesting and informative article entitled "Family Business" which appeared in the May 16-31 issue of the up-and-coming magazine *India Today*. The article points out that while it is possible in a country like the United States, where the state does not run any industry, for big business to gang up and "monopolise" everything from prices to profits," it is the other way round in India where the state owned industries are in a commanding position enjoying monopoly of power. The article also highlights the fact that a large number of industries the world over are controlled by families and yet are efficiently run.

For instance, Ford Motors, one of the largest companies in the world, is controlled by the Ford family, as are Exxon by the Rockefellers, IBM by the Watsons, Du Pont by the Du Ponts, Gulf Oil and Alcoa by Paul Mellon, "Time" by Luce, Fiat by Agnelli etc: Phillips of Holland, Lever Brothers of UK, Sony and Hitachi of Japan, SKF of Sweden also fall in this category. The article adds that the family interest enjoys a commanding power in these multinational corporations whereas, in the case of large business houses in India, the shareholdings of families in their companies are small.

POINT OF VIEW

Viewing the subject from yet another angle the *Financial Express* in its editorial on April 29, 1978, observes; "First of all, individual members of these business families—with rare exceptions—are occupying positions of trust and responsibility by virtue of their education, erudite knowledge and extensive training in administration and management. These qualified members of business houses are far better professionals than any managers brought from outside. Indeed, they are, in any case, better professionals than the wooden bureaucrats occupying key positions in public sector enterprises, bringing discredit to the latter."

In India, if a large business house runs any industrial unit, it is, in a majority of cases, not because it holds a large percentage of shares, but it is due to the fact that even though its own holding is comparatively small it enjoys the trust and confidence of the shareholders who are happy if the management of their companies is in good hands. If the results of some companies are not satisfactory the shareholders are not so naive and ignorant of their rights as to permit an inefficient management to continue indefinitely. What normally and logically happens is a change of management in such cases unless the government were to take over the unit concerned.

incorrect approach

If the companies or industial units become "sick", it is generally attributed to lack of professionalism in management without even ascertaining the underlying causes of its sickness. This is an incorrect approach. The sickness could sometimes be a result of the government's policies. That apart, instances are not lacking of companies becoming sick even where the management is in the hands of professionals—as often happens in some of the public sector units. The two glaring instances to prove this are: power generating stations in the public sector and the coal industry. Capacity utilisation in the power generation plants in the public sector is about 56 per cent or even lower while, in the case of private sector power plants, it is over 90 per cent. As for the coal industry, it runs into such a mess from time to time that industrial production is curtailed and train services cancelled for lack of coal.

Three important components contribute to the proper running of an enterprise. The two wellknown are labour and management. The third factor, which

perhaps escapes one's attention but is in fact more important than the other two, is the entrepreneurship behind the business organisation. The entrepreneur is the brain behind the whole enterprise. Despite a good management and cooperative labour, an industrial unit will stagnate if creative enterprise is lacking.

It is the spirit of innovative enterprise that fosters an organisation and carries it forward. There is definitely a need for professionals in any organisation but it is also necessary to determine the levels at which they should function, since professional ability alone is not the "be-all and end-all' of an organisation. In fact, the progress or regress of an organisation will depend not so much on whether or not it is professionalised but on the guiding spirit behind the organisation.

blanket statements

I am not suggesting in the least that professionals should not be given their due place in a business organisation. Quite the contrary. What I am objecting to is the blanket statements that are often made regarding professionalising the management. I certainly feel that some jobs are best handled only by fully qualified people and it will be utter folly to fill such posts with non-professionals. For example, positions like those of a chief engineer, chief accountant, chief chemist, production superintendent etc. must have professionals to man them. The days are gone when a non-professional could hold the post of, say, the chief accountant in a big corporation or function as a chief technician in an engineering complex. But the matter becomes merely academic because in fact in big industrial corporations such posts are held only by professionals.

While specific jobs require specific technical expertise, the higher we go in the organisational set-up the requirements shift towards versatility, vision, tact, judgement, dynamism and creative leadership. It must be ensured that the persons who occupy the top positions in an organisation are neither wedded to any particular doctrine nor rigid in their attitudes but have an open mind, a mind that judges every issue in its proper perspective. With due respect to the professionals it may be mentioned that sometimes they get so excessively committed to their own set theories that they are not able to take a flexible and more balanced view of a situation.

the distinction

A distinction has to be made between the executives of a company and the entrepreneur behind it who usually is its chairman. A chairman is not an executive unless he is trained to be so. In fact, if the chairman (unless he happened to be the chief executive too) were to dabble in the day-to-day work of the company, it could very well lead to a mess. The role of a chairman is different in that he has to give the direction in which the company has to move; he has to set the aims and objectives of the enterprise, has to lay down the policies and steer the company in a way that takes it from strength to strength. In other words, a chairman has first to be an entrepreneur and then only an executive.

Organisational structures are not static; they keep changing; but they are also not an end in itself; they are only a means to an end. Apart from paying due importance to the organisational set-up, efforts should also be made to carry forward the organisation with a positive vision and a concrete ideal. The chairman of an organisation must, therefore, be on the lookout for new fields of development and innovations; he must give new ideas and thoughts to his executives so that his organisation is continuously motivated to achieve excellence. If I have to choose between an entrepreneur and a professional as the head of a concern, I will always, prefer the entrepreneur. If people like Sir Jamshedji Tata or Rai Bahadur Gujarmal Modi were to start their business career again, I would any day put my rupee on them than on the best of the professionals.

Let us further analyse the matter in depth by giving some analogies. It will obviously be a folly, indeed it would be unthinkable, to have as the Chief of the Army Staff a non-professional. Obviously absurd. (Where the president of a country is regarded as the supreme commander it is more of a formality than a reali But how many Defence ministers country have been military genera In fact, in democratic countries there be only a few instances where the Defe ministers have been drawn from the ar either in times of peace or even dur periods of war. During the Seco World War, when Britain was fight for her very survival, it would have b a disaster had some general in the ar taken over as the prime minister, sim because a war happened to be on. In fa had Churchill not been made the pri minister then, Britain probably wo have lost the war. Likewise, it will unwise to put forward a plea that Industries minister of a country shou necessarily be an industrialist (thou perhaps an industrialist would make more successfull Industries minister), t the Finance minister should be a bank that the Health minister should be medical practitioner, and so on.

shining example

In fact before our Rashtrapati, Sanjiva Reddy, was elected as speaker of the Lok Sabha a few yea back, many people questioned the cho on the basis that he had no leg background. Doubts were freely e pressed as to whether or not he wou make a good speaker, since the speake ship of an august body like the Lo Sabha requires at least a worki knowledge of law. And yet it is we known that Mr. Sanjiva Reddy proved be one of the ablest speakers. The su prising thing is that whereas it is n necessary for a person to have any qual fication to become a minister, even wh he has to guide the destiny of the enti nation in respect of his portfolio, undu stress is laid on professionalism when comes to the corporate management.

Once, when the country's economy wa in a bad shape, Mr. Rafi Ahmed Kidwa reportedly urged Pandit Jawaharlal Nehr to entrust him with the Finance portfoli "What are your qualifications for hold ing that position when you do not hav any idea or experience of finance?" re torted Panditji. Rafi Saheb replied tha in itself was, in fact, his qualificatio since it would enable him to approac

subject with an open mind instead of gmatically.

The growth of the corporate sector in dia and the world over is an inspiring ga of entrepreneurship, hard work and eat, at a time when professionalism was quite unknown. And yet our forefathers, the early entrepreneurs, did fairly well in spite of unfavourable circumstances and heavy odds prevailing under an alien rule. The phenomenal progress of such enterprises bears testimony to the qualities of leadership, dynamism, versatility and vision of these pioneer businessmen who proved to be wizards and created successful business organisations that have immensely benefited the nation.

Stay of income tax recovery

F. L. Berarwalla

The author commends the judgment of the Delhi High Court which, in exercise of its inherent power, gave relief to the Hindu undivided family where its Karta having paid in full his personal assessment was required to pay tax over again in respect of the same income when the liability of the HUF to pay the tax had not been finally established.

HE QUESTION of stay of recovery of inome tax pending an appeal or a reference of considerable importance. The power f stay of recovery of tax can be exerised by the income tax officer, the appelte assistant commissioner, the tribunal nd the court. With regard to the powers f an income tax officer, sub-section (6) of ection 220 of the Income tax Act, 1961 rovides—"(6) where an assessee has resented an appeal under section 246, he income tax officer may, in his discretion, and subject to such conditions as ne may think fit to impose in the circumstances of the case, treat the assessee as not being in default in respect of the amount in disputes in appeal, even though the time for payment has expired, so long as such appeal remains undisposed of."

The exercise of the aforesaid power by the income tax officer is a quasi-judicial function, and cannot be controlled by the commissioner. *Savithri Sam* v. *ITO* 72 ITR 730. The power of the income tax officer to treat the assessee as not being in default is a power coupled with a duty, and in any event it should be exercised fairly and reasonably and not arbitrarily or capriciously *Kashiram Agarwalla* v. *Coll. of 24 Parganas* 33 ITR 800 also *Ladhuram Tuparia* v. *Bageli* 20 ITR 51. Where the assessee has gone in appeal and the appeal is not frivolous, it may, in the circumstances of a case, be the duty of the ITO to refrain from enforcing payment of the tax under the notice of demand and to grant extension of time till the appeal is disposed of. If the ITO fails to discharge his duty, he may be compelled by a writ under article 226 of the constitution to stay his hands. The courts have no power to interfere so long as the income tax officer exercises his discretion fairly and reasonably. The income tax officer is not bound to give a hearing to the assessee before rejecting his application to treat him as not being in default. *Vellore G. Mudaliar* v *ITO* 36 ITR 133. The income tax officer is entitled, under sub-section (6) of section 220 to impose the condition that the tax be paid by instalments. *Rahmath Bibi* v. *ITO* 72 ITR 73.

process of exemption

Under sub-section (4) of section 249 of the Income Tax Act, 1961 it is provided as follows :—(4) No appeal under this chapter shall be submitted unless at the time of filing of the appeal,—(a) where a return has been filed by the assessee, the assessee has paid the tax due on the income returned by him; or (b) where no return has been filed by the assessee, the assessee has paid an amount equal to the amount of advance tax which was payable by him; Provided that, on an application made by an appellant in this behalf, the appellate assistant commissioner may, for any good and sufficient reason to be recorded in writing, exempt him from the operation of the provisions of this sub-section.

Under section 254 of the Income Tax Act, 1961, sub-section (1), the appellate tribunal may, after giving both the parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit. It has been held by the Supreme Court in *ITO* v. *Mohammed Kunli* 71 ITR 815 that the power to stay recovery proceedings pending an appeal can be exercised by the tribunal as being incidental or ancillary to its appellate jurisdiction. Like-wise, in appeal against an order of the appellate assistant commissioner, the tribunal has implied-power to stay further proceedings before the AAC. *Puran Mal Kauntia* v. *ITO* 98 ITR 39.

inherent power

In a recent case the Delhi High Court has given a decision of great public interest upholding the inherent power of the court to grant stay of recovery of tax pending the disposal of reference. *Bansidhar & Sons, New Delhi* V. *Commissioner of Income tax, New Delhi* 1978 Tax LR 332. (T.V.R. Tatachari C. J. and Pritam Singh Safeer J.) The facts of the case in brief are :—The assessee is a Hindu Undivided Family (HUF). The Karta of HUF is LB, Karta's father died in 1949 in the air crash. On the death of the father, a sum of Rs 2,49,874 was received by LB from the insurance company on account of an accident insurance policy covering the risk of the life of the deceased. The income derived from the said amount was treated as income of LB and was assessed in his personal assessment. LB was married on February 3, 1953 and a son TK was born on February 3, 1956. The income from the insurance, amount continued to be assessed in the personal assessment of LB even after formation of the HUF on his marriage and birth of a son, and continued to be so assessed till the year 1959-60. For the first time in the assessment year 1960-61, the income tax officer treated the income from the insurance amount as that of the

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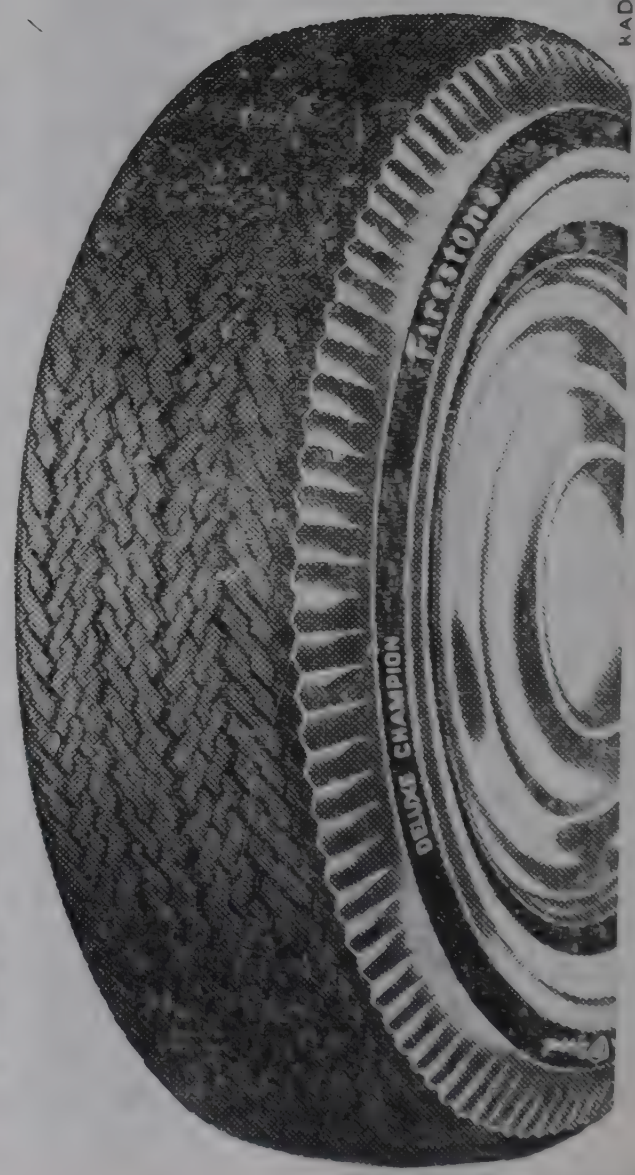

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F and assessed the same in the hands
ne HUF. On appeal by the assessee
F the appellate assistant commis-
er set aside the assessment holding
the income was the personal income
he LB and not of the HUF. Revenue
t in appeal to the IT tribunal. The
ounal held that the income was of
F and liable to be assessed as such.
the instance of the assessee HUF the
unal referred to the Delhi High Court
following question under section 66
of the Income Tax Act, 1922 and sec-
n 256 (1) of the Income Tax Act,
51 :—"Whether on the facts and
the circumstances of the case, the
ount of Rs 249,874 received by
from the insurance company on
count of the accident insurance policy
vering the risk to the life of his father,
M, is correctly treated as ancestral pro-
rty of the HUF of which LB is the
arta." In the said references applica-
on for injunction and stay was filed by
e assessee HUF under section 151 of
e Code of Civil Procedure invoking
e inherent jurisdiction of the high court.
he court held as follows :

high court's view

In a reference to the High Court under ection 66 of the Income Tax Act of 1922 r section 256 of the Act of 1961, the High Court has inherent jurisdiction or power o stay in a proper case the recovery of he tax pending the disposal of the eference. (Case law discussed).

The Act of 1922 or the Act of 1961 does not contain any express provision empowering the High Court or the Supreme Court to grant stay of recovery of the tax pending the disposal of the reference before it. But there is nothing in the Income-Tax Act which expressly or by necessary implication excludes the inherent jurisdiction.

Although an application invoking the inherent jurisdiction or power of a court is usually described as one under section 151, in the Civil Procedure Code it is well settled that inherent jurisdiction or power is inherent in a court, and section 151, CPC does not confer such jurisdiction or power on the court, but merely saves such jurisdiction or power which already exists in the court. Therefore, the fact that there is no provision in the Income-tax Act making the provisions of the Code of Civil Procedure applicable to a reference proceeding before the High Court or the Supreme Court does not mean that the High Court or the Supreme Court cannot exercise its inherent jurisdiction or power in the proper case.

well-settled fact

Section 66(8) of the Act of 1922 and section 269 of the Act of 1961 make it clear that the High Court mentioned in section 66(1) of the former Act and section 256(1) of the latter Act is the High Court duly constituted as such for the state or the union territory, as the case may be. It is well-settled that the High Court, as a "Court", has inherent jurisdiction to act ex debito justitiae if the circumstances of a case so demand. The inherent jurisdiction or power is inherent in the High Court, because it is a "Court", and is unrelated to and independent of the nature of its jurisdiction advisory, consultative, original, appellate or revisional, in the case before it. The passing of an order of stay of recovery of tax by a High Court in exercise of its inherent jurisdiction is in no way connected with the nature of its jurisdiction in the reference before it. Though the High Court gets seisin of the case because of the reference it is still a "Court" in dealing with the reference.

In a reference under the Income-Tax Act, the High Court or the Supreme Court, as the case may be, gives "a decision or a definitive judgment" on the questions referred. In the case of a High Court, its judgment in the reference is final unless altered on appeal to the Supreme Court, and it has authoritativeness as it is binding on the appellate tribunal and the parties and the tribunal has to pass necessary orders under section 260(1) "conformably to the judgment". The High Court or the Supreme Court is thus a "Court" even when it deals with a reference under the Income-Tax Act. As such, it has its own inherent jurisdiction irrespective of the nature of its jurisdiction in the reference. In other words, it has inherent jurisdiction by virtue of its being a "Court", and it has consultative or advisory jurisdiction by virtue of the provision in section 66 of the Income-Tax Act of 1922 or in section 256 of the Income-Tax Act of 1961. It can, therefore, act in exercise of the former jurisdiction for granting stay of recovery of the tax pending the disposal of the reference, while it acts in exercise of the latter jurisdiction in hearing and answering the question referred to it. Hence, the fact that the nature of the jurisdiction of the High Court in the reference is advisory or consultative and not original or appellate or revisional is immaterial. In granting stay of recovery of the tax under its inherent jurisdiction or power, the High Court does not decide any question at all.

a binding decision

It is true that in a reference to a High Court under section 256 or to the Supreme Court under section 257, the court delivers its judgment on the questions of law that have been referred. But, it is not correct to say that the judgment has by itself no force at all. The judgment decides the questions of law that have been referred, and the decision is binding on the appellate tribunal and the parties. The tribunal has to pass orders in the appeal only comformably to the judgment of the High Court or the Supreme Court in a reference. Also, it is final so far as the questions referred are concerned and is binding on the parties and the tribunal. The judgment has thus as much force as any other judgment of a court.

The reference to sections 260(1) and 265 in section 262(1) has no bearing on the question of ordering stay of recovery of tax in exercise of the inherent jurisdiction or power of the court. Section 262(1) merely makes it clear that although the matter before the Supreme Court under section 261 is an appeal, the scope and limitations of the decision of the Supreme Court in that appeal are the same as those of a decision in a reference before it or before the High Court. The provision in section 265 means only that the mere making of a reference or the filing of an appeal shall not by itself operate as a suspension or stay of the recovery of the tax, and the tax continues to be payable, and there is nothing in section 265 to suggest that it precludes or prohibits the

High Court or the Supreme Court from staying the recovery of tax in a proper case pending the disposal of the reference or appeal, as the case may be, in exercise of its inherent jurisdiction or power.

In the instant case it is admitted that in respect of the two assessment years 1960-61 and 1962-63 the tax had already been paid in full by L. Bansi Dhar in his personal or individual assessment. There is, therefore, considerable force in the submission of the assessee that great hardship would be caused to it if in spite of full tax having been paid by its Karta in his personal assessment, the HUF is asked to pay the tax over again in respect of the same income, and that too when the liability of the HUF to pay the tax has not yet been finally decided. Therefore, it was held that it was a fit case in which the stay asked for should be granted, but on terms. Accordingly the High Court ordered that the recovery of the amounts of tax demanded in respect of the assessment years 1960-61, 1962-63, is stayed on condition that the assessee should fu adequate security for the amount question to the satisfaction of the cerned income-tax officer within six w from that date.

It is submitted that the judgment o Delhi High Court provides much ne relief to the taxpayers as in many they lose their substantive right of mo the High Court in a reference if they unable to pay the tax demanded.

Balanced diet and poverty

Samir K. Mondal

The author, who is connected with the National Council of Applied Economic Research, has come out with the finding that whereas 18.74 per cent of the families in rural India are able to pay for a balanced diet and 25.57 per cent in urban India,so far as Delhi city is concerned only 14.37 per cent can afford a balanced diet. In other words 86 per cent of Delhi population appears to be undernourished.

THE POLITICAL response to the uncomfortable position of growing poverty and inequality in income in recent times has aroused interest among research workers. Several statistical measures of the extent of poverty in the country have been made (Bardhan 1970, Dandekar and Rath 1971, Minhas 1970, Vaidyanathan 1974). These are mostly attempts to divide the poor from others by what has been called a poverty line usually corresponding to some notion of minimum bundle of goods and services necessary for life. Given the poverty line, the measure expresses the extent of poverty in terms of the proportion of population below this line. The view that such a measure of poverty is somewhat arbitrary has been widely shared (Rudra 1974, Bhatty 1974) and the debate on the exact number of the poor has, therefore, remained predictably inconclusive. Arbitrariness arises, from the difficulties of adjusting for inter-regional and interclass price differentials to arrive at a statistically acceptable comparability in per capita income/expenditure. The difficulty is more pronounced when applied to the different spacio-temporal and price conditions as exist in a country so vast and varied as India. Doubtful validity of a common poverty line for the country as a whole becomes apparent. This can be avoided by undertaking separate studies for smallar regions or groups.

The results of an exercise attempting to estimate a poverty line corresponding to a minimum cost of balanced diet and taking into consideration non-food expenditures in Delhi city during September 1976, are given here. The extent of poverty in terms of percentage number of households below the poverty line have also been estimated making use of the distributions of persons by per capita consumer expenditure obtained from the National Sample Survey[7]. For the purpose of comparison, similar estimates for urban and rural India have also been arrived at using the cost of balanced diet given by Sarma[9] and the Engel ratio estimated from NSS data.

Results of an exercise attempting the minimum cost an average Indian would incur for a diet which has been called a *balanced diet* has, recently, been reported by I.R.K. Sarma. Although the number of nutrients required for the growth and well being of human beings is large, all of them, fortunately, need not be supplied as such through food eaten. Some of them can be prepared by the body itself through the food eaten. It would be necessary to see that the diet for a person supplies at least such of the nutrients that cannot be prepared by the b Sarma[9] in his exercise consid twelve such nutrients. The minin quantity of different nutrients requ for a balanced diet per person per are as follows*:

Carbohydrates	450 gr
Proteins	110**
Fat	50***
Phosphorus	1
Calcium	500 ml
Iron	30
Thiamine	1
Riboflavin	1.5
Niacin	15
Vitamin C	30
Vitamin A (Beta Carotene)	1,500
Folic Acid	100 micr

* These have been worked out partly on basis of FAO recommendations. The si tion currently existing in India has also b taken into account in adopting the stand for different nutrients.

** Of this around 70 grams is expected to oxidized (and hence not available for ti synthesis and the related activity) for production of energy.

*** Of this around 30 grams is to be oxid for the production of energy.

Considering the difficulties in handl hundreds of food items, their prices a the nutrients therein Sarma, in his ex cise, confined attention to the requi ments of 14 major food groups[5]. T different food groups considered for composition of balanced diet have b described in various studies made by Indian Council of Medical Resea (ICMR) and also by individual resea

ers in the field[10]. These food ps are presented in Table I.

ne average amount of the different ents contained in a given quantity kilogram) of each one of the 14 food ps mentioned in Table I has been ked out on the basis of the details vided by the ICMR in their study[5]. ing this as the standard, Sarma work- out the composition of balanced diet ch would cost less than any other nposition at the average retail prices vailing during March 1975.

optimal solution

The balanced diet proposed by Sarma the basis of this exercise composed of food groups and costs Rs 2.15 (Table I) all-India retail prices during March 75. At a changed price situation the mposition as well as the cost of the inimum balanced diet is likely to different. The optimal solution for ch an exercise depends not on the abso- te prices of the food items but only on eir relative prices. Although prices nange over time and space, relative prices ay not change much within a short eriod.* Thus, the composition of inimum cost of balanced diet can be ssumed to remain approximately same. he error committed by this assumption s unlikely to be more compared to the rrors introduced through the process of averaging to arrive at *all India average of retail prices* and *an average Indian* to which Sarma's balanced diet and its cost applied. Sarma has taken 14 broad groups of food items in which prices of each individual item differ within the group, so that some process of averaging was necessary to arrive at the price of the group. Prices are different in different regions as well so that a second round of averaging over space becomes necessary to get an all-India average price for each of the food groups. The very nature of the problem is such that any process of averaging will surely introduce an amount of error due to temporal, spatial and qualitywise variation in prices and the resulting

*This can be seen from the prices presented in Table I. If relative prices change rapidly causing significant changes in optimal solution, the result of such exercises will become obsolete within a short span of time.

TABLE I

Composition and Cost of Balanced Diet

Food groups	All India : March 1975*			Delhi City : Sept. 1976**	
	Qty. (Kg.)	Average price march '75 (Rs. per kg.)	Cost (Rs.)	Average retail price in Delhi markets (Rs. per kg.)	Cost (Rs.)
Cereals	0.488	1.50	0.73	1.68	0.81
Pulses	0.080	2.25	0.18	2.58	0.20
Green leafy vegetables	0.300	0.75	0.22	2.56	0.76
Root vegetables	—	1.00	—	0.98	—
Other vegetables	—	1.25	—	—	—
Milk	0.144	1.75	0.25	1.90	0.27
Fats and oils	0.010	8.00	0.08	11.60	0.11
Fruits	0.100	4.00	0.40	4.00	0.40
Nuts and oilseeds	—	9.00	—	—	—
Condiments & spices	0.10	6.00	0.06	15.02	0.15
Eggs	0.037	5.00)			
Fish	—	5.00)	0.20	7.60	0.28
Other flesh foods	—	7.00)			
Misc. foods	0.010	3.50	0.03	3.48	0.03
Cost of Balanced Diet per day per person		—	2.15	—	3.00

*Sarma, I.R.K. : 'Balanced diet, its compositon and cost' *Margin* volume 8, No. 3, April 1976. **Present study.

TABLE II

Percentage Distribution of Households by Monthly Consumer Expenditure Classes and Their Expenditure on Food Items

DELHI CITY

Monthly per capita expenditure (Rs.)	Estimated percentage of households	Total consumer expenditure (Rs.)	Expenditure on food (Rs.)	Engel ratio for food(%) (4)÷(3)	Percentage of households below and above poverty line
(1)	(2)	(3)	(4)	(5)	(6)
0–13	—	—	—	—	
13–15	—	—	—	—	
15-18	0.60	17.99	13.66	75.93	
18-21	—	—	—	—	
21-24	1.20	22.52	16.87	75.91	
24-28	0.60	27.41	20.52	74.86	
28-34	1 20	31.03	25.14	81.02	—85-63
34-43	7.19	39.87	29.15	73.11	
43-55	16.17	50·11	37.22	74.28	
55-75	22.75	64.03	45.33	70.79	
75-100	11 96	84.92	58.16	68.49	
100-150	17.96	119.23	73.96	62.03	
150-200	6.59	173.28	87.63 (90.00)*	50.57	
200 and above	7.78	346·71	127.63	36.71	—14.37
All classes	1.60	88.04	52.87	60·05	

*Cost of balanced diet worked out.

average cannot be anything but a crude estimate.

Keeping this in view we have attempted to find out the implications of the cost of balanced diet on the total consumer expenditure and income and thereby locate the poverty line for an average family in Delhi city.

source material

The source of prices for food items here is the *Statement Showing Retail Prices of Selected Commodities in Delhi markets* by the Bureau of Economics and Statistics, Delhi Administration[4]. Sarma's composition of balanced diet evaluated at these (Delhi) prices would cost about Rs 3.00 per day per person (Table I). *Expenditure on food items* for a period of 30 days for such a person would then be *Rs 90.00*. Further a reference to the data on consumer expenditure published by the National Sample Survey (NSS) indicates that such a person belonged to the monthly per capita expenditure class Rs 150-200 (Table II), the percentage expenditure on non-food items for this group being 40.43[7].

Thus total consumer expenditure incurred byhim works out to Rs 90+49.43 per cent of total consumer expenditure=Rs 177.97 per month. Taking the average size of a family to be five, such a family would need Rs 889.85 per month (Table III) to meet its total consumer expenditure. Making appropriate allowances for savings, it can be said that unless the family has a monthly earning well beyond Rs 1,000 its members cannot afford the proposed balanced diet in Delhi city.

It is of interest to note that only those who belong to the monthly total consumer expenditure class Rs 150 and above can afford the balanced diet. Such persons in Delhi city constituted, according to the NSS report, only 14.37 per cent; those who cannot constitute 85.63 per cent (Table II).

In other words, 85.63 per cent of the population in Delhi city is below this poverty line. It is therefore, not surprising that a large section of this

TABLE III

Percentage Distribution of Households by Monthly Consumer Expenditure Clas and their Expenditure on Food Items.

URBAN INDIA

Monthly per capita expenditure (Rs.)	Estimated percentage of households	Total consumer expenditure (Rs.)	Expenditure on food (Rs.)	Engel ratio for food(%) (4)÷(3)	Percentag household below a above verty line
(1)	(2)	(3)	(4)	(5)	(6)
0- 13	0.13	8.47	4.49	53.01	
13- 15	0.15	13.56	11.06	81.56	
15- 18	0.28	17.01	13.51	79.42	
18- 21	0 36	19.58	15.89	81.15	
21- 24	0.85	22.77	18.23	80.06	
24- 28	2.26	26.19	21.17	80.83	74
28- 34	5.27	31.18	25.01	80.21	
34- 43	12.05	38.51	30.39	78.91	
43- 55	16.27	48.91	37.34	76.34	
55- 75	20.85	64.04	47.07	73.50	
75-100	15.96	85.94	59.40	69.12	
100-150	14.70	107.60	61.28	56.95	
			(64.50)*		
150-200	5.85	171.82	98.85	57.53	
200 & above	5.02	287.82	130.44	45.32	2 5.57
All classes	100.00	70.77	47.93	67.73	

*Cost of balanced diet worked out.

TABLE IV

Percentage Distribution of Households by Monthly Consumer Expenditure Clas and their Expenditure on Food Items.

RURAL INDIA

Monthly per capita expenditure (Rs.)	Estimated percentage of households	Total consumer expenditure	Expenditure on food (Rs.)	Engel ratio for food(%) (4)÷(3)	Percentag household below and above pov line
(1)	(2)	(3)	(4)	(5)	(6)
0- 13	0.39	10.57	8.72	82.50	
13- 15	0.35	14.04	11.64	82.91	
15- 18	1.06	16.81	14.05	83.58	
18- 21	1.92	19.67	16.42	83.48	
21- 24	2.96	22.25	16.63	74.08	81.25
24- 28	5.28	26.03	21.74	83.52	
28- 34	11.10	30.98	25.78	83.21	
34- 43	18.53	38 38	31.65	82.46	
43- 55	20.19	48.56	39.05	80.42	
55- 75	19.48	63.56	48.58	76.43	
75-100	10.26	85 31	60.82	71.29	
			(64.50)*		
100-150	6.07	119.42	75.24	63.00	
150-200	1.46	169.85	89.10	52.46	18.74
200 & above	0.95	284.69	128.55	45.15	
All classes	100.00	53.01	39.70	74.89	

*Cost of balanced diet worked out.

pulation will be suffering from mal-trition and diseases caused by it. This dicates the dimension of the problem to tackled by any programme for eradi-ing under-nourishment and causes for

The picture at the all-India level is also t very encouraging. Taking Rs 2.15 as e cost of balanced diet per day, per pita expenditure on food works out to s 64.50 per month and that for a family five would be Rs 322.00*. Such a rson is located in the monthly per pita expenditure class Rs 75—100 in ral India and Rs 100—150 in urban India Table II). Under this expenditure class, on-food expenditure is 28.70 per cent nd 43.06 per cent for rural and urban milies respectively.

Thus the total consumer expenditure er month for a family of five works ut to Rs 452 in rural India and Rs 566 urban India. NSS data on con-umer expenditure[7] indicate that 18.74 per cent of the families in rural India would be able to pay for the balanced diet while the corresponding figure for urban India is slightly higher, being 25.57 per cent and only 14.37 per cent for Delhi city. In other words, about 80 per cent of the rural population and 75 per cent of the urban population and 86.00 per cent of Delhi population appear to be under-nourished.

The above discussion would reveal that the situation in Delhi city is worse than even that in rural India. This is partly because of higher cost of the diet in Delhi; it costs Rs 3.00 in Delhi and Rs 2.15 elsewhere. The other factor contributing to this is that non-food items take a larger share of total expenditure in Delhi.

Expenditure on non-food items by the expenditure classes mentioned above amounts to 49.43 per cent in Delhi, 28.70 per cent in rural India and 43.06 per cent in urban India respectively. This is not surprising because, reportedly, house rent and other non-food costs of living are quite high in Delhi compared to the other parts of the country.

*Since the results are only indicative rather than definitive, we have ignored the urban rural differential in prices.

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TABLE V

Cost of Balanced Diet, Non-food Expenditure, Total Expenditure and Percentage Number of Families above the Proverty Line.

Region	Cost of Balanced Diet		NSS ex-penditure	Engel ratio of non-food items	Total consumer expenditure per family* per 30 days (Rs.)	Percentage of families who can afford the balanced diet
	Per capita per day (Rs.)	Per 30 days (Rs.)				
1	2	3	4	5	6	7
Delhi City	3.00	90.00	150 & above	49.43	889.85	14.37
Urban India	2.15	64.50	100 & above	43.06	566.40	25.57
Rural India	2.15	64.50	75 & above	28.70	452.30	18.74

*Average sizea of family has been assumed to be five.

British economic recovery: two views

There are two views on the British economy. Mr N.J. Robson, chairman Grindlays Bank Group, believes that the British trade balance has deteriorated since last autumn and the growth of money supply has been far in excess of the requirements posing a threat to the economy. Frank Broadway on the other hand holds that the British economy is slowly moving towards recovery and, while the progress so far has been satisfactory, the best is yet to come.

Not up to expectations

N. J. Robson

AT THE beginning of 1978 the economic policymakers of the United Kingdom government appeared to be in an enviable position. Not only had the balance of payments moved into substantial surplus in the latter half of 1977 but the rate of inflation, although clearly still excessive, was falling sharply, the current round of wage negotiations was proceeding more satisfactorily than had been generally expected and growth in the money supply was continuing at a reasonable pace.

All this helped towards sterling showing considerable strength in the exchange markets and suggested that the way was open for the government to give the domestic economy a large fiscal boost in its 1978-79 budget which, in view of the approach of a general election, was obviously not without its political attractions.

To ward off accusations of political manoeuvring, however, the government was also in a position to claim that a reflationary initiative would represent "responsible international behaviour". This does not, of course, imply that the UK was on the point of joining the United States, Japan and West Germany as one of those economies which could have a vital influence on world trade but the evidence indicated that it was in a position to make some contributions towards keeping the world economy on its modest growth path.

Only a few months later the position is somewhat different. First, the UK trade balance has deteriorated since last autumn, the exchange rate has depreciated, although only slightly on a trade weighted basis, while growth in the money supply has recently been far in excess of the underlying requirements of the UK economy, let alone of stated targets. Second, the government's incomes policy has been challenged by some of the big battalions among the trade unions and it now seems clear that wage earnings this year will increase by several percentage points more than required in the present guidelines.

Against this background it is not surprising, at least in hindsight, that neither the stock market nor the bond market has recently performed in the favourable w that many brokers were anticipating their assessments at the end of last y Nor is it surprising that analyses of structural weeknesses of the economy—which, it is claimed, lead stimulus to domestic demand to run at short notice against inflationary balance of payments constraints—h again become the fashion. To take o one example, the Bank of England co mented last December that "a curr (external) surplus having been achiev it would surely be imprudent to recre conditions (of instability) but not ma taining a position of surplus" but t "with a rate of growth only somewh higher than at present expected, non-oil balance might easily be weakene the balance will be much affected by h fast the United Kingdom economy e pands and how fast the rest of the wo does."

pessimistic comment

At the time many considered the comments to be unduly pessimistic a certainly premature; few of those w took this view last December can feel confident today.

When views of short term prospec change rapidly, attempts at maintainin any kind of perspective become more tha normally difficult and the past few month have certainly proved no exceptio More specifically, although the balanc of payments has clearly worsened sinc last autumn, the reasons for this are s far by no means clear. A strong upsurg in imports does not, for example, appea to have been attributable to an increas in demand for those products which ar normally associated with a cyclical up swing in the domestic economy in genera and in consumer spending in particula Likewise, poor export performance can not easily be explained away by a slow down in world trade growth, nor b

WINDOW ON THE WORLD

g's recovery on the exchanges in The latter led to some deterioration e price competitiveness of British ts last year, a point repeatedly asised by the Confederation of h Industry. But for this to show up e trade figures so quickly is unusual. a result, the argument that the latter recently included more than their hare of unfavourable "distortions"— of which relate to North Sea oil uction shortfalls—is difficult of e.

monetary targets

most exactly the same seems to apply he monetary statistics of recent ths, although the fact that 1977-78 ets are now unlikely to be met is no er causing concern. Nevertheless, if the response of the money and d markets to the publication of monthly figures which are difficult to ss still appears to be unduly exaggerat- support should be given to the recent ement by the Governor of the Bank England that "it is essential. . .that netary targets should be publicly nounced and that the authorities' re- ve be sufficient to make that announce- nt credible".

t thus seems safe to conclude that the mediate outlook for the British nomy will be determined in part by ether the government regards the re- nt flow of statistics as no more than a mporary phenomenon or whether, des- e all the seasonal and other distortions, ey are in fact an early warning signal the difficulties which may lie ahead if e recovery already in progress is given unduly large boost by further substan- l tax cuts. On balance however, tax ts of the order of £1½ to £2 billion (net) 2.79 billion to $3.72 billion) are widely pected to be announced in the forth- ming budget in order to make a contri- ution towards ensuring that the eco- omy's growth rate will move up into the —3½ per cent range in 1978 as a whole. his is unlikely to prove sufficient to have uch impact on unemployment, however. t also seems destined to lead to some eterioration in the balance of payments uring the course of the year—even if not t the rate indicated by the figures for he past few months—while as the present round of wage increases works its way through the system, further progress on the inflation front is likely to prove increasingly difficult to achieve.

It this analysis is proved correct by events, it is legitimate to question whether such an approach to economic policy will contribute much to a solution of the longer term problems which face the British economy.

The immediate response is to argue that it will contribute little. Against this it has to be recognised that identifying structural weaknesses (e.g. low productivity in many sectors of industry) is a much easier task than recommending practical proposals for their cure, particularly taking into account that for various reasons, including diminishing manpower resources, the underlying growth potential of the British economy is no longer substantial.

What can at least be said is that progress towards a sustained recovery in manufacturing investment and improving the availability of skilled labour is bound to remain limited so long as the economy continues to operate at well below capacity. On this line of argument, one important consideration over the next few years will be the pace at which the economy can be brought up towards its underlying growth potential and some British economists are now already persuaded that an annual rate of growth of five per cent during this period is not only possible, but also an essential precondition of the investment, both in plant and in labour, that is essential for any long-term progress.

The counter argument is that attempts to pursue such a policy will rapidly lead to a renewed outburst of inflation—if not balance of payments problems, thanks to North Sea oil—and this argument is admittedly a powerful one on the historical evidence. But this reinforces the opinion that it would be of great benefit if an incomes policy could be achieved which will resolve the ambiguities inherent in the approach adopted over the last few years. Much depends, too, upon the continued pursuit of a monetary policy of the kind which has contributed so much to the improvement in the financial sector witnessed over the past fifteen months.

Belief in the efficacy of the now highly fashionable approach to such a policy has undoubtedly increased more rapidly than has recent experience in handling the techniques involved. Despite this caveat few would contest the statement, again recently made by the Governor of the Bank of England, that a basic requirement is "an overt public expression of . . . a need for . . . caution and some assurance that action will be triggered if the need for it arises".

Hastening slowly

Frank Broadway

THE INTERNATIONAL Monetary Fund team currently looking into the British economy will find it moving slowly, if somewhat erratically, towards recovery. While progress so far this year has mostly been satisfactory, it is reasonable to suppose that the best is yet to come. Continuing and sustained improvement is confidently expected in such key areas as the balance of trade and the rate of inflation during the summer and autumn, and increasing domestic demand should stimulate industrial production.

Britain may decide to allow the standby credit from the Fund, arranged in December 1976, to lapse before its scheduled termination at the end of the year. This would end the obligation to agree monetary targets with the Fund, but the practical consequences would be minimal, since the government is already committed to strict controls over the money supply, the public-sector borrowing requirement and domestic credit expansion. If the government decides to continue the standby until the end of the year, there can be no doubt that the targets for monetary growth and public borrowing announced by the Chancellor in his budget will be acceptable to the Fund.

The bulk of the discussions between the Treasury and IMF officials will be a general review of Britain's economic prospects and policies, with special reference

Announcement regarding issue of Rs. 30 crores 6½% Debentures
applied for issue and allotment of further Debentures of Rs. 3 crores and gua
This is not a prospectus. Persons interested in details may obtain copi

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THE INDUSTRIAL CREDIT AND INVES

(Incorporated on January 5, 19

Registered Office : 163,

Regional Offices : 20, Old Court House Street, Calcutta 700 001 • 1, Cenotaph R

EXISTING AND PROPOSED ACTIVITIES :

The Company was incorporated on January 5, 1955 with the object of carrying on the business of assisting industrial enterprises in India, more particularly described in its Memorandum of Association.

The Debentures are being issued for the purpose of augmenting the resources of the Company to meet the demands of industry for financial assistance and to meet the other needs of the Company.

BOARD OF DIRECTORS :

H. T. Parekh *Chairman*
J. S. Raj *Vice-Chairman*
J. N. Saxena
K. K. Birla
D. P. Goenka
L. J. Mulkern
N. M. Wagle
M. V. Sohonie
M. Sen Sarma
M. D. McWilliam
M. V. Arunachalam
M. R. Shroff *Government Director*
S. P. Mehta
G. V. Ramakrishna
S. S. Mehta *Managing Director*
N. H. Green *Alternate Director to M.D. McWilliam*
D.A. Artko, *Alternate Director to L.J. Mulkern*

SHARE CAPITAL :

(As on May 31, 1978)

		Rs.	Rs.
Authorised:			
50,00,000	Shares of Rs. 100 each		50,00,00
Issued and Subscribed:			
22,50,000	Equity Shares of Rs. 100 each issued for payment in cash		22,50,00
Paid-up:			
22,50,000	Fully paid Equity Shares of Rs. 100 each	22,50,00,000	
	Less: Calls in arrears	1,33,100	
			22,48,66,9

PRESENT ISSUE :

30,00,00,0

60,000 Debentures (1998) of Rs. 5,000 each at par (i.e. Rs. 5,000 each) with a right to retain excess subscription money up to 10% of the Issue, to be applied for issue and allotment of further 6,000 Debentures.

Interest at the rate of 6½% per annum (subject to deduction of tax at source) will be payable half-yearly on July 1 and January 1 except that the first payment of interest accrued from the date of receipt of application up to January 1, 1979 on the Debentures allotted will be paid on January 1, 1979.

ight to retain excess subscription up to 10% of the Issue, to be
payment of principal and payment of interest by the Government of India.
m the Registered Office or the Regional Offices of the Company

CORPORATION OF INDIA LIMITED

ompanies Act VII of 1913)
, Bombay 400 020.
• Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi 110 001.

RNMENT GUARANTEE :

pentures, now being issued are guaranteed by the Government of India regarding repayment of principal and the t of interest thereon at 6½% per annum. The Debentures will not, however, entail any charge on the assets or the king of the Company.

bentures will be considered as approved security under the provisions of the Indian Trusts Act 1882, the ce Act 1938 and the Banking Regulation Act 1949

bentures shall be redeemed at par on July 1, 1998.

mpany shall have the right to purchase Debentures from the open market and sell the same during the un-expired of the Debentures.

ncipal moneys of the Debentures to be issued hereunder and the interest accrued thereon shall rank for payment, nd out of the funds of the Company:

ordinate to present and future borrowings of the Company from international organisations and/or foreign Governments d/or agencies thereof with interest thereon, premium (if any), and any additional amounts payable under such borrowing angements,

ri passu with the 8% Bonds of Swiss Francs 8 million (1977-88) issued by the Company and also with all the rupee m loans both present and future and the Debentures issued and to be issued hereafter, and all future foreign currency rrowings other than those mentioned in (i) above, and interest thereon, premium (if any), and any additional nounts payable thereon;

perior to the outstanding interest-free special advance of Rs. 3 00 crores from the Government of India, which ranks after e share capital.

payment will be without affecting the rights of the lenders referred to in (i) above and of the holders of the 8% Bonds -88) of Swiss Francs 8 million, the holders of 6¼% Debentures (1990) of Rs.13.75 crores, the holders of 6¼% ntures (1991) of Rs.13.75 crores, the holders of 6¼% Debentures (1992) of Rs. 16.50 crores, and the holders of 6½% ntures (1993) of Rs. 22.00 crores, the holders of 6½% Debentures (1998) of Rs. 9.90 crores and the holders of the present of Debentures to take recourse to the Guarantee of the Government of India issued in their favour.

y meeting of the debenture holders, each voter shall on a show of hands be entitled to one vote only and at a poll all be entitled to one vote in respect of every principal sum of Rs 5,000 of the Debentures in respect of which he is ed to vote.

e event of over-subscription, allotment to shareholders of the Company who apply for the Debentures will be considered eferential basis to meet the requirements of the existing listing agreement with the Stock Exchange, Bombay. The offer llotment of Debentures to non-resident shareholders is, however, subject to the consent of the Reserve Bank of India r the Foreign Exchange Regulation Act, 1973.

ES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

Subscription List will open at the commencement of banking hours on Monday, June 19, 1978 and will close at the e of banking hours on Friday, June 23, 1978 or earlier at the discretion of the Directors but not earlier than the e of banking hours on Wednesday, June 21, 1978

OSPECTUS AND APPLICATION FORMS :

lication must be for one or more Debentures and should be forwarded to the Registered Office of the pany together with the payment at par i e at Rs. 5,000 per Debenture. However for the of convenience, applications together with the necessary payment would be accepted by the Central Bank of India at hain offices at Bombay, Bangalore, Ahmedabad, Calcutta, Hyderabad, Indore, Madras and New Delhi.

lication Forms along with copies of the Prospectus can be obtained from the Registered Office and the Regional ces of the Company.

Adroit 1460

to areas which particularly concern the Fund, such as exchange rate policy, inflationary prospects and trends in overseas trade.

By far the most volatile of these areas is Britain's overseas trade, which so far this year has swung erratically from large deficit to surplus in alternate months. April produced a record current account surplus of $336 million, following a deficit of $170 million in March. The 'swing' of over $500 million between the two months is only partly explained by changes in trade in such erratic items as diamonds, ships, aircraft and North Sea oil installations. It seems probable that British industry restocked heavily with raw materials and semi-manufactures in March, possibly fearing further depreciation of sterling and then cut buying to a minimum in April.

Statisticians are naturally cautious about deducing underlying trends from the volatile figures, but the general impression is that the volume of British exports is moving up very slowly, if erratic items are excluded and imports are rising faster. This is not a reason for revising official forecasts of a $750 million current account surplus this year, since the "oil balance", which was $761 million in deficit during the first four months, is expected to improve strongly from summer onwards as North Sea production increases.

sterling fluctuations

Fluctuations in the sterling exchange rate obviously influence both current account and inflationary prospects. The Bank of England does not show its hand to speculators by announcing an exchange rate policy, but the reserve figures for April suggest there was a large-scale intervention to halt the fairly rapid slide in the value of the pound. The inference is that the government would like to see the exchange rate stabilised at around its current level, which gives a reasonable compromise between the inflationary effects of undervaluation and the export difficulties of overvaluation.

Providing the current account does not show any sustained, unexpected deterioration, downward pressures on the exchange rate should not be particularly strong, though some "hot" money which came to Britain last autumn will doubtless continue to flow out.

The foreign exchanges will, however, be nervously watching the money supply figures. Revised estimates from the Bank of England show that growth in sterling M3 in the 1977-78 financial year was higher than had previously been thought. The rise was 16¼ per cent, compared with the government's preferred upper limit of 13 per cent. Domestic credit expansion, however, appears to be well within the government's target range.

a waiting game

The Chancellor's 8 to 12 per cent limits for sterling M3 growth in the current financial year are perfectly realistic, but month-by-month progress may be something of a cliffhanger. A lot depends on the willingness of non-bank institutions to buy government stock to fund the borrowing requirement. The institutions tend to play a waiting game, holding off buying when interest rates are going up and rushing to buy if a fall in rates seems to be imminent. Since interest rates in Britain are following international trends and rising, the next few months may be an anxious time for sales.

Money market apprehensions are, of course, based on anxieties about the future course of inflation. The short-term prospects are excellent. The year-on-year rise in retail prices has now fallen to 7.9 per cent and should decline further during the next few months.

Longer-term prospects are inevitably more uncertain. This year's fall in sterling and EEC farm price increases will only have a modest effect on prices. Earnings increases are a much more important imponderable. Since the third year of voluntary wage restraint began last August, earnings have increased by 7.4 per cent, suggesting an increase of around 14 per cent over a full year.

This is a reasonably satisfactory outcome for a voluntary incomes policy during a period of relatively high inflation, but the Chancellor will wish to see a much lower rate of increase from next August onwards. The trade unions are unlikely to agree to any strict limit on wage increases, but the government will still have considerable influence on the level of earnings increases, both in its role as a very large employer and through its success in bringing down the inflation rate.

During the last few months earnings in Britain have been rising slightly faster than retail prices for the first time since 1975. This, of course, gives a real improvement in living standards, which will be boosted by cuts in personal taxation announced last October and in the April budget. Overall, the Treasury estimates that real disposable incomes will rise by about seven per cent in the year to mid-1978.

Hopes for economic growth at an annual rate of about three per cent are, of course, based on expectations that this increased spending power will lead to higher consumption, thus triggering off higher industrial production. There is evidence in the recent retail sales and industrial production statistics to suggest that this process is already somewhat hesitantly under way.

Pollution

Improvement expected for Australia this year

Robert Feldman

The coming Austrialian budget is expected to be slightly more expansionary than this year's, states the author writing, in International Finance *issued by the economics group of the Chase Manhattan Bank for the benefit of its customers and correspondent banks. It is his opinion that inflation rates may not drop much further, given the structure of the labour market.*

FTER A languid economic performance 1977, the outlook for Australia seems bit brighter. Consumer prices were up nly 1.3 per cent in the first quarter of 978, the smallest quarterly increase since te 1975, and the unemployment rate ropped to 6.3 per cent in March, well be- w the 7.2 per cent rate in January. Spend- ng on capital equipment was up 7.7 per ent, seasonally adjusted, in the quarter, nd is now more than 20 per cent above he year-earlier level. Housing activity as also been rising since the beginning f the year. Not all the economic data re so encouraging, however. Industrial utput has been uneven, and export growth is still weak.

On balance, real GDP growth of about 3½ per cent is expected for 1978. The investment climate in Australia has improved, and plant and equipment investment can be expected to remain strong during the year. With the unemployment rate down, consumption can also be expected to pick up somewhat. And although the government is likely to stick to austerity as the basis for the new budget to be announced at midyear, the success in inflation-fighting means that calls for easier spending will face a more accommodative environment.

Australia's real GDP grew only 2.1 per cent in 1977, half the 4.2 per cent increase in 1976. Almost all sectors of the economy suffered. The government continued its programme to control inflation, and partly as a response, consumption demand was also weak. Residential construction actually fell about seven per cent. Capital equipment investment in the mining sector showed considerable strength, but machinery and equipment investment in general showed little growth. Real output from farming fell about six per cent. In addition, the increase in exports amounted to less than one per cent in real terms, compared with nearly nine per cent in 1976.

poor performance

There were a number of reasons for this poor performance. First was the government's goal to fight inflation through restrictive fiscal policy. While government purchases of goods and services grew faster than private consumption, the rate of increase was still well below that of 1976. The budget introduced in mid-1977 called for no real growth in expenditures. Moreover, world demand for Australia's raw materials was soft, as were prices. Uncertainty surrounding the Australian dollar early last year was also a constraint on growth, since the timing of capital inflows frequently revolves more around confidence in the currency than around the ultimate soundness of the investment. Finally, high inflation rates in the first three quarters of 1977 kept growth down by keeping interest rates high, although the rates did drop later in the year.

For two years government policy has viewed high inflation rates as the chief constraint on the Australian economy. Policy strategy has centred on reducing cost-of-living wage increases in order to break the price-wage spiral, lowering interest rates to stimulate investment, and stabilizing the currency to encourage capital inflows and mining investment. The policy has been quite successful in lowering the inflation rate. With only partial indexation of wages in recent quarters, the strength of the price-wage spiral has indeed weakened. Interest rates have also come down. Following the announcement of the small first-quarter CPI increase, yields of certain long-term bonds fell below nine per cent, the first such drop in several years. And despite gyrations in world exchange markets, the US dollar/Australian dollar exchange rate has been relatively stable.

Ironically, the very success of the government in reducing inflation has contributed to a budget deficit larger than the planned A$ 2.2 billion. Lower inflation rates have brought smaller increases in tax revenues, and with expenditures constant, the deficit has grown. Although there are now calls for a somewhat easier policy, the Australian government is sticking with austerity. Smaller wage adjustments are needed along with the lower inflation rates before any stimulus can be made without risking another outbreak of high inflation rates.

the budget

The coming budget for FY 1978/79 (July-June) is expected to be slightly more expansionary than this year's, although no major break from the austerity strategy is expected. There is also some opinion that inflation rates will not drop much further, given the structure of the labour market. If so, further austerity would serve little purpose. Moreover, the deficit in the preliminary budget draft was quite large, and even with substantial cuts, a deficit of abont A$ 2.8 billion is expected.

Australia's export growth has been quite weak even in nominal terms. Reduced world demand for raw materials—

particularly iron ore and coal—has hurt primary-sector exports, while competitiveness of manufacturing exports continues to be hurt by relatively high Australian wages. In addition, world prices for some important agricultural products, notably wheat and wool, have combined with drought conditions to cut the value of agricultural exports. Indeed, exports in the first quarter of 1978 were nearly unchanged on a seasonally adjusted basis from the fourth quarter of last year. The outlook calls for some improvement however. Growth in Japan, Australia's major market should, improve from last year, although high Japanese inventories will still constrain Australian shipments. The drought and low prices will continue to hurt grain export receipts, but high meat prices are expected to be an offset. On balance, exports for the year are expected to rise 7.8 per cent to A$ 12.8 billion.

lagging growth

Import growth was also relatively weak last year, but rose some 13 per cent in the first quarter of 1978 from the fourth quarter. For the year as a whole, imports are expected to rise 7.3 per cent to A$ 11.8 billion. While such strong growth hurts the balance-of-payments situation, the recent increase in imports stemmed mainly from rising import prices rather than a greater number of goods imported. Export prices, in contrast, have risen only modestly, although they can be expected to improve somewhat during the rest of the year and thus partially offset the impact of higher import prices. Australia's trade surplus is expected to reach about A$ 1 billion this year—a slight improvement from last year's A$ 881 million surplus. However, a rise in net outflows on the services account is expected to worsen the current account deficit to about A$ 2.4 billion.

Australia's external sector continues to be beset by two important structural problems. The first is the restricted nature of world agricultural trade. Austrlian protests of agricultural quotas in the EEC countries and elsewhere have become increasingly vocal, but have not brought significant relaxations, and the outlook is for little success in the near future. In addition, Australia has a number of industries at home that are calling for protection. Some have already obtained relief from southeast Asian imports. These issues put Australian trade policy in a bind, because the government cannot easily make free access for southeast Asian goods a quid pro quo for easing restrictions on Australian products in the EEC.

Capital flows during the last few quarters have been affected most strongly by government borrowing. The Australian government began this strategy last fall, when it became clear that the devalution in late 1976 would not improve the trade account, and that the only way to defend its reserve position was to borrow. The government is sticking to this strategy and has reiterated its willingness to borrow, if necessary, to defend reserves until private capital starts flowing in. There now seems to be increased confidence among foreigners, both because the exchange rate has been quite stable during a turbulent period, and because the government's austerity strategy is showing solid results. Still, inflows related to mining projects will depend much more on world demand than on any domestic policies.

Over the longer term, the Australian economy faces two important constraints on growth. The first is chronic high unemployment. As in many industrial countries, the labour force has been growing faster than in previous years, with more women seeking employment. Indeed, the unemployment rate has not been below four per cent for more than three year scompared with an average of al 1½ per cent in the 1960s.

High levels of unemployment reduce potential output of the economy. Du the short run they imply a need income support for the unemployed maintain aggregate demand. In addit high unemployment rates create cont ed demands for protectionist trade p cies, conflicting with Australia's need reduce trade barriers abroad.

The second vital issue facing Austra is how to encourage development in industrial sectors with the highest gro potential. Although mining is most promising growth sector, it is pendent on fluctuations in world mark and thus the government is also interes in stimulating industries related mining—such as machinery and tra portation equipment.

To stimulate investment, the gove ment favours a shift of income sha toward profits. It has taken vario measures to adjust the tax burden corporations and has encouraged wa restraint through partial indexation price rises rather than one-for-one incre ses. By increasing the return on capit these measures should help stimula investment over the long run. Of cours in the short run, a shift toward profi lowers income to individuals, thus redu ing consumption demand, as well as ta revenues. There is clearly no easy sol tion to the income-shares problem and n matter how the trade-off is made, it wi continue to be a constraint on Australia growth for some time to come.

Attention Subscribers

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Manager

MOVING FINGER

is indeed a great re-

that Mr Charan Singh has at last himself discharged from the All ia Institute of Medical Sciences. The pital staff, in particular, has every son to be thankful. Even a single P patient is always much more trouble an a ward-full of lesser mortals. The me minister entered the AIIMS on e 24th April and he left it on the 9th ne. Thus he has been in the hospital r about 45 days. This seems to be ther an unusally long period of hos-talisation since the report was that he ad suffered a mild heart ailment and e was treated in the intensive care unit or not more than a couple of days. The est of the time was spent in a suite in ne of the private wards and during this eriod he was receiving visitors selective-y. How much of the time he spent in he hospital was justified on strictly medi-al grounds is a question worth asking. In similar medical circumstances, a pati-ent is discharged usually within a week.

One may, of course, want to stay in a hospital as an inpatient for longer than is warranted on medical grounds for any one or more of several reasons. It is a notorious fact that indigent or even relatively poor inpatients in public hospitals resist being discharged as cured, because they are getting regular or better food and other creature comforts free and gratis. Again there are habitual malingerers just as there are chronic hypochondriacs who have professional or neurotic reasons for not wanting to leave a hospital once they are in. There is also a class of paying and pampered invalids which is reluctant to let go such delights as sponge baths by more or less young and more or less pretty nurses. The hospital bed could also be a refuge for some people from office problems, domestic troubles or other personal worries. Finally, being an inpatient and under "doctor's orders" gives a person excuses for avoiding company which he finds desirable to avoid. In other words, hospitals may have more uses than are dreamt of in the simple philosophy of a Hippocrates.

The Defence ministry

has been in the market for a deep-penetration fighter aircraft for some time now. Britain, France and Sweden are all interested in bagging the order. The British government is reported to have displayed a certain impatience with the delay on the part of New Delhi making up its mind. But, then, it is surely unreasonable to expect such deals to be put through without a certain length of time being spent on technical delegations, purchase missions and the like. These essential activities cannot be dispensed with, if only because this may not be to the advantage of a lot of people of varying degrees of importance or influence. For instance, a team of about 30 officers of Hindustan Aeronautics Ltd is reported to have spent about a month abroad, evaluating the aircraft under consideration. The government of India has reportedly incurred an expenditure of over Rs 11 lakhs on this particular exercise. This of course does not mean that the team was getting or paying all the bills itself. Normally, in such situations, a lot of hospitality is offered or received, without being put down in the books of either the would-be sellers or their prospective customers.

Mr Morarji Desai has a

debating style which owes nothing to any treatise or text book on Logic. He was asked in Brussels by an Indian participant in an informal get-together whether the government of India was justified in imposing restrictions on the consumption of liquor by foreign tourists or other foreigners during their visit to or stay in India. A proper answer to this question could be that, where there are such restrictions, they are only in terms of the effective enforcement of a prohibition policy meant primarily for Indians. The prime minister, however, chose his own line of counter-attack. He asked the questioner whether the government of Belgium would allow him to consume opium if he wanted to. Could the implication be that the drug habit is to the pattern of Indian life and culture what the consumption of alcoholic drinks is to the pattern of life or culture in other countries ?

Incidentally, many foreign countries do make rules about drinking, but those rules are sensible *per se*. For instance, in several European countries, severe penalties are imposed on those who are found to be behind the wheels of automobiles after having consumed liquor, however moderately. In fact, in the German Democratic Republic, a host may attract legal penalties if he serves liquor to a guest who may be driving an automobile after the party. Such restrictions on drinking could and ought to be brought into force in this country in the interest of road safety and independently of a policy of prohibition.

The "meteoric" rise in

the official hierarchy of Mr R. C. Mehtani, who, starting his life as a clerk, became the special assistant to Mr Bansi Lal, when the latter was Defence minister, attracted a lot of sarcastic comment when Mr Mehtani appeared before the Shah Commission. Mr J. C. Shah wondered how it was possible for anybody to ensure such a rapid promotion without special qualifications. Mr Shah, I am afraid, is very poorly informed in these matters. There is the classic case of the late V. P. Menon who rose from the humble beginning of a third division clerk. A couple of former deputy governors of the Reserve Bank were assistants in the Finance ministry to start with. Then there was Mr M. O. Mathai and currently there is Mr Hasmukh Shah. It is not always the case that everyone, who has made a success of himself, should be wearing his merits on his sleeves. However, where one's personal fortunes are suspect of a large political content, inquisitiveness may perhaps be justified.

VB

TRADE WINDS

India Bids at IMF Gold Auction

INDIA MADE a non-competitive bid in the IMF gold auction held last week. The other developing countries that are reported to have bid in the auction are Mexico, Nepal Tanzania and Kenya.

This followed the option given by IMF to develoving countries, entitled to receive directly a share of the profits of gold sales to submit non-competitive bids. Thirtynine developing countries had indicated that they wished to reserve their right to exercise the operation, according to IMF. Details of the latest auction are awaited.

The non-competitive bids are to be made at the average price for each auction and the allotment to such bidders is in addition to the quantity sold to competitive bidders.

The five developing countries are believed to have bought 925,200 ounces of gold at $183.09 an ounce. This is the first IMF auction in which developing countries were allowed to submit non-competitive bids.

Some months before the last budget announced the new gold policy, involving gold imports as well as auctions of government gold, the authorities exercised the option to receive in the form of gold, our share of the profits from IMF gold auctions.

Though we had already received $37 millions as our share of the profits of IMF gold auctions held till end March 1978, this did not take away our right to receive our entire share in the form of gold, by entering non-competitive bids in any of the auctions to be held till the IMF's four-year programme of auctions ends in 1980. We of course have to pay for the gold in SDRs (Special Drawing Rights) or US dollars at the average price of gold sold at the auction.

Our share of IMF gold, which we can acquire through non-competitive bids comes to 8,00,450 troy ounces, which is valued at about Rs 130 crores at current international prices.

RBI Allows Joint Bids for Gold

Under a change in the terms and conditions of the fourth gold auction held on June 14, the Reserve Bank has accepted joint bids from small licensed dealers or certified goldsmiths. The bid limits for such bids in which not more than five dealers can join will continue to be a minimum of 500 gm and a maximum of 2,500 gm, as in the case of others.

In the fourth auction even certified goldsmiths all over the country were enabled to participate in bids and obtain their requirements.

Hitherto only licensed gold dealers, who number about 10,000 in different parts of India, were allowed to participate in gold auctions. With the facility extended to certified goldsmiths also, as many as 1,80,000 certified goldsmiths all over the country, were entitled to participate in the auctions.

There are in all about seven lakh self-employed goldsmiths spread throughout India, but over five lakh of them are still out of the auction programme, since they are not certified.

With the scope of the fourth auction considerably broad-based more bidders are expected to have participated and the quantity of gold awarded may be considerably more than the 12,04,400 grammes, valued at about Rs 7.67 crores, sold to 598 successful bidders in the third auction held on May 31 last.

In the first three auctions, RBI has sold about 320 kg of gold of the aggregate value of over Rs 20 crores.

Banking Policy

The need for a Banking Policy Resolution giving a broad framework of well-defined areas and the role and functions of banks in economic development was emphasised by Mr P. F. Gutta, chairman, Indian Banks' association in his statement read out in absentia at the Association's thirty-first annual general meeting in Bombay recentty.

The change in interest rates, the cheap money policy and the eroding profitability of banks came in for critical review in Mr Gutta's statement.

Mr Gutta stated that the downward revision of interest rates in respect of deposits and certain categories of advances, started in mid-1977, was completed by end-March 1978. It seemed to him that deposit accretion may tend to slacken in the coming years. In an under-developed economy, such as ours, M Gutta said interest rate pla ed a positive role in the au mentation of the resources.

The recent reduction in t interest on advances, with t ceiling lowered from 16 per cent to 15 per cent an further adjustments down t line, Mr Gutta siad, was d signed to reduce the cost working capital and thereb the manufacturing cost industrial production. He hov ever, felt that since intere burden had only a margina impact on the cost of produc tion the aim might have bette been achieved by slight ad justments in excise duties.

Pressures of Costs

The total impact of th changes in the interest rat structure, Mr Gutta added would certainly be felt i banks' profitability, notwith standing the welcome decisio of the government to withdra the 'interest-tax'. In recen years the pressures of costs o the profitability of banking operations had been mountin inexorably. While the lowe advances rates had already affected income, the benefi of lower deposits rates woul accrue only after the matu rity of the existing long tern deposits.

Mr Gutta stated that growt and profitability should no be conflcting objectives Banks would have to give ur gent attention to cost econ nomies. There was substan tial scope in this area through changes in systems and pro cedures and better manage ment of controllable items

Referring to industrial sick ness, the chairman sai that it had been defined i different ways, through differ ent symptoms, like under

isation of capacity, accu-
lation of receivables, lack
cash flow, cash losses, and
on. But sickness also
plied the lack of dynamism
necessary for the growth
the economy. He suggest-
that IBA should under-
ke a comprehensive study
how or where the banks'
onitoring systems have fail-
and how they can be
reamlined.

Turning to the new indust-
al policy Mr Gutta stated
at the banking system would
ave to associate itself active-
in improving the quality of
fe in the rural areas. While
anks would primarily provide
redit for bankable prog-
ammes, they would have to
eek management and organi-
ational support of other
oluntary associations and
usiness houses in securing for
he rural population basic
menities like drinking water,
ublic health services or
community welfare activities.

Rs 4,000 cr. Loss due to Power Shortage

Mr S. K. Birla, president, Indian Chamber of Commerce, said in Calcutta the other day that the country was incurring a loss of Rs 4,000 crores in industrial production every year because of acute power crisis.

He said that the government was also losing annually a sum of Rs 1,000 crores which would have accrued as revenue from the excise, sales and similar other taxes from the industries throughout the country.

Mr Birla urged the government to give a clear cut direction to the industry in regard to doubling the production in industrial units. He said basically the economy was now poised for growth.

The various steps taken by the government in recent times were very much in the right direction and the demand for industrial products would go up. The biggest problems that the industry was facing was finance and power. He said procedural delays were standing in the way of implementing collaboration and other programmes and in some cases, papers trickled in even after two years of application. He hoped the authorities would give a close look at removing these controls and procedural delays.

Mr Birla said high taxation was standing in the way of the growth of industries. The capital market had become very dry and it required revival.

Bombay Port Congestion

The congestion at the Bombay port has been critical with over 80 steamers waiting for berths. The average waiting period for ships is estimated between 30 and 35 days.

Shipping circles are pessimistic about any early improvement in port conditions, the numerous meetings between port officials, the Shipping ministry and dock labour leaders notwithstanding. The Shipping minister, Mr Chand Ram met dock labour leaders last week and urged them to make efforts to increase the work output at the port so that the cargo could be cleared faster.

Conditions at the port started deteriorating when pilots of the Port Trust resorted to work-to-rule agitation earlier in the year in support of their demand for better working conditions and pay. The situation took a turn for the worse when dock workers started a go-slow on the grounds that the management had unilaterally altered the datum lines (work norms).

The go-slow has since been withdrawn but shipowners allege that unofficially it is still on as the cargo work is going on very slowly.

Assuming an average loss of Rs 30,000 per day owing to delays, the total loss per ship for the average waiting period of about 30 days works out to Rs 9 lakhs.

Two conferences have already slapped a congestion surcharge of 15 per cent on Bombay port.

According to Mr S.R. Kulkarni, president of the All-India Port and Dock Workers Federation, Bombay is incapable of handling the volume of traffic as it does not have the requisite facilities. He also blames the total lack of cordination between the various agencies and the authorities for the present serious congestion.

He has suggested a 21-point plan for improving conditions at the port. Among these suggestions are liberalising the piece-rate system for the categories of workers still not covered under the scheme and augmenting the strength of pilots and berthing masters to enable the movement of ships round-the-clock.

Saleable Steel Price Raised

A sharp increase in the prices of different eategories of saleable steel was announced recently by the Joint Plant Committee (JPC),

An official announcement said the price revisions were made to meet the esalation in costs in the past five years and to ensure a reasonable return to the plants.

The official release claimed that, compared to the stock-yard prices, the present uniform set of prices did not represent any significant increase.

For example, the stockyard price for billets and RC squares on June 4 was Rs 1,707 per tonne while the revised price is Rs 1,730 per tonne. The prices of bars, rods in coils and straight-lengths ranged from Rs 1,920 to Rs 2,317 per tonne on June 4 as against the revised price of Rs 2,050 to Rs 2,172 per tonne.

The JPC prices include an element of Rs 45 per tonne towards meeting the increase in freight. The Freight Equalisation Fund operated by the JPC had run into a heavy deficit. If due allowance was made for this factor, it would be seen that the price increases were on the whole marginal and insignificant, the release said.

To provide some assistance to the State Small Industries Corporation, they would be able to buy steel at concessional rates to be announced shortly.

Bharat Heavy Electricals

An all-time high record output of Rs 120 crores had been achieved during 1977-78 by the BHEL's Heavy Electrical Equipment Plant at Ranipur near Hardwar. This is against the budgeted target of Rs 106 crores. This also marks an increase by about 20 per cent over the output for the year 1976-77.

Six thermal sets having total capacity of 1260 MW and nine hydro sets of total capacity of 534 MW were manufactured during the year. The thermal sets manufactured are for supply to thermal power stations located at Nasik (Maharashtra), Tuticorin (Tamil Nadu), Vijayawada (Andhra Pradesh), Kolaghat

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participating in the nation's needs

t Bengal) and Bhusawal
arashtra). The hydro
manufactured during the
will be installed at
o power stations located
Srisailam (Andhra
esh), Salal (J&K), Lower
vap (Sikkim) and Shanan
jab).

he plant is also fast gear-
up for manufacture of
e size turbo sets beyond
MW upto and including
MW. These sets will be
nufactured under technical
aboration with KWU,
st Germany.

BI Assistance to ckward Regions

The IDBI operations reach-
new heights during the
al year 1977-78 (April-
arch). There was a substan-
l increase in assistance to
ojects in backward regions
d to projects in the priority
ctors. The assistance sanc-
oned during 1977-78 (ex-
uding guarantees) aggregated
s 826.6 crores, a rise of
s 173.6 crores (26.6 per
nt) on top of an increase of
s 300.4 crores in the preced-
g year. The assistance utilis-
l at Rs 429.4 crores record-
l an increase of Rs 58.0
rores (15.6 per cent) during
ne year under review.

The sanctions under direct
ssistance schemes to backward
istricts increased from Rs 29
rores in 1975-76 to Rs 136
rores in 1976-77 and further
o Rs 242 crores in 1977-78,
while the assistance to back-
ward districts under refinance
cheme increased from Rs 64
crores to Rs 102 crores during
his period. The sanctions to
small-scale sector under re-
finance scheme went up from
Rs 92 crores to Rs 161 crores
in 1977-78; the share of small-
scale units in total refinance
assistance was around two-
thirds in amount and over 90 per cent in number. The direct assistance to priority sector industries increased by more than 100 per cent from Rs 135 crores in 1976-77 to Rs 288 crores in 1977-78.

MSFC Package for Sick Units

To assist the ailing units the Maharashtra State Financial Corporation has decided to make a package of concessions in an endeavour to nurse the genuinely sick units back to health.

The package includes re-schedulement of recoveries beyond the normal period of ten years; original rate of interest to be retained for the duration of the contractual period in deserving cases; interest in arrears may be allowed to be paid over a fairly long period in deserving cases depending on cash generating capacity of the unit and repayment obligations to other institutions.

In deserving cases, MSFC may consider additional loans for balancing equipment, diversification or modernisation of machinery to assist speedy rehabilitation of sick units.

IDA Credit for Dairy Development

A national dairy development project to increase our milk production and rural incomes through cooperatives covering about 3.5 million subsistence farmers will be assisted by a credit of US $150 million from the International Development Association (IDA), an affiliate of the World Bank. The European Economic Community (EEC) is also donating surplus skim milk powder and butter oil to be used by this country in assisting to finance the project.

At full development, the US $364 million project will help to improve the incomes and living standards of some 20 million people who have average annual per capita incomes of about US $50. The project will help to increase milk production by about 5 million litres a day, leading to an increase in annual farm income of US $230 million. It will increase the income of some 4.7 million people.

The new IDA credit of US $ 150 million will help to increase milk production in 20,000 villages in selected milk shed areas of the country. The project, which will be implemented over seven years, consists of the establishment of some 20,000 cooperative societies grouped into cooperative dairy unions and milk marketing federations; construction of dairy processing facilities with a total additional capacity of 5 million litres per day.

The project is part of our efforts to meet the growing demand for milk. The project represents the first phase of the plan to develop about 33,000 dairy cooperatives and their related unions and federations in selected milksheds. The market includes the four major cities—Bombay, Delhi, Calcutta and Madras in addition to 150 smaller urban centres and rural towns.

Regional Conference of Businessmen

The Federation of Indian Chambers of Commerce & Industry, in collaboration with the City Chambers of Commerce, Madras, will be holding a "Southern Regional Conference of Businessmen" on July 7 and 8, 1978 at Hotel Taj Coromandel, Madras. Mr Pravinchandra Gandhi, president, Federation of Indian Chambers of Commerce & Industry and other leading industrialists and businessmen will participate in the conference which will discuss development of the southern region with special reference to rural improvement by business enterprises, growth of tiny and small-scale industry, energy position, trade problems and social welfare including training and placement of disabled persons.

Employment Plan

The draft sixth five-year Plan (1979-83) would prepare the groundwork for complete elimination of unemployment and underemployment in the country within 10 years, the deputy chairman of Planning Commission, Dr D.T. Lakdawala, said while inaugurating the all-India seminar on "Economic democracy and plan perspectives" at Hyderabad. The draft Plan envisages creation of 49 million man-years of work by 1983. The seminar was organised by the Institute of Labour, Law and Management. An estimated additional labour force of 30 million will be employed, besides clearing the present backlog of unemployed, he said.

Outlining the Plan objectives aimed at achieving some measure of economic justice, Dr Lakdawala said, the idea was to make an appreciable impact on persons living below the poverty line, estimated at half the total population, within the decade. He said the total unemployed persons in the country were estimated at 21 million.

If the plan were successful, Dr Lakdawala said, it would help in increasing the

wage rate and make the enforcement of minimum wages legislation easier.

On the new approach to be given to planning, Dr Lakdawala said the block-level planning was aimed at rectifying imbalances in the growth of different regions. The present plan liberalises provisions for area development. It might also be possible to formulate plans for development of special backward areas on the lines of tribal sub-plans.

Import-Export Policy Changed

The government has decided to review the policy of imprest advance licences to exporters having no export orders in hand.

New items of import will be added to the list of raw materials and components eligible for duty exemption after examination of various suggestions.

At a meeting the Commerce minister, Mr Mohan Dharia, had recently with chairmen of export promotion councils and commodity boards, several changes in the new import-export policy based on recommendations of the Shahaney committee which was appointed to go into the difficulties of some industries affected by import liberation, were also announced.

Mr Dharia announced that import of equipment and instruments required by the gems and jewellery industry having no indigenous angle would be placed on open general licence (OGL).

Import of waste wool would be permitted against exports of shoody blankets and garments made from blanketing cloth.

Export of turmeric powder and cuminseed powder in consumer packs would be allowed. Relaxation would be made to export Alleppey turmeric splits and bulbs up to 150 tonnes.

The export promotion councils had been asked to make suggestions on the recommendations of the Shahaney Committee.

Mr Dharia said the export growth rate was slowing down mainly due to the protectionist tendency of certain developed countries and fall in the value of the dollar, in which most of the country's export contracts were entered. There was also a deliberate decision by the government to restrict exports of a number of essential items of mass consumption.

He said it should be realised that the growth rate of seven per cent for export mentioned in the plan document meant growth at constant prices,

Disposal of Smuggled Goods

The Finance ministry has revised the procedure for disposal of smuggled goods held by government and instructions have been issued to the Customs Department to resume disposal of confiscated smuggled goods on the basis of the new policy. Disposal of smuggled goods seized had been suspended since August 1977 pending the drawing up of a new procedure.

Under the revised procedure, disposal of goods to military and para-military canteens or consumer cooperatives has been discontinued. Synthetic textiles are to be re-exported out of India. Liquor is to be sold to India. Tourism Development Corporation (ITDC) against import quotas and watches to be handed over to Hindustan Machine Tools (HMT) for disposal. Electronic goods like calculators and tape-recorders are to be supplied to government departments and to educational and research institutions and universities. TV sets are to be sold to hospitals. Rough and uncut diamonds are to be sold by auction or tender to import licence holders against debit to their licences while cut and polished diamonds are to be sold for export only.

The procedure for disposal of metallic and radiant yarn is yet to be decided.

Rail Passenger Traffic Up

Rail passenger traffic has been steadily increasing over the years. According to the latest figures, over 3,300 million passengers travelled on the trains run by the railways during 1976-77. This all-time high figure of 3,300 million was 12 per cent more than in 1975-76. The increase in passenger traffic during 1976-77 was more significant in non-suburban travel. It increased by 14.7 per cent as against 9.9 per cent increase in suburban travel. Passenger kilometres of suburban traffic increased by 12.8 per cent.

The average annual rate of growth reckoned from 1950-51 was 6.04 per cent in the number of passengers and 5.63 per cent in terms of passenger kilometres.

Suburban as well as long distance mail and express traffic has shown a much faster rate of increase than the over-all average. This has been caused by a larger increase both in the number of passengers and passenger kilometres. The pace of the growth of short-distance non-suburban ordinary train passengers has been less t
average.

The number of passeng
has increased by more t
2.5 times and passenger k
metres have more than dou
ed as compared to the figu
of 1950-51.

Jute Import Canalise

The central government
decided to canalise the imp
of raw jute through the J
Corporation of India.

This step has been taken
ensure a steady supply
the fibre to the indus
and also to enable the c
poration to continue
business operations on
viable basis. With raw jute
short supply in the intern
tional market, prices are r
ling high. It is felt that t
financial position of the
dustry being unhappy, mi
are not in a position to impo
raw jute at the ruling prices

As there is expected to be
big shortfall in the supply
raw jute during the next thr
months there will be need
import the fibre.

The total mill consumptio
up to May this year was ov
60 lakh bales. During Jun
another six lakh bales wou
have been consumed to mai
tain the production at t
current level. This is expecte
to leave just 1.5 lakh bal
for July as carryover again
six lakh bales last year.

Prospects of the jute crop
the coming season beginni
from August are rated ve
bright. An unofficial estima
of jute crop next season
75 lakh bales against the cu
rent year's yield of 68 lak
bales.

In view of the bumper cro
the corporation has been as
ed to undertake procureme
operations in a big way in th
next season. It is being a
lowed commercial buying o

ge scale so that it is able
arn some profits to make
l its accumulated losses.

rgest Cement Plant UP

5000- tonne a day cement
nt is being set up at Dalla,
the UP State Cement
rporation. The plant will
e two raw mills, two kilns
l eight cement mills with
ociated auxiliaries and con-
ving equipment. To facili-
e optimum production, all
raw materials, kilns and
ment mills will be freely
sociated with each other so
at any raw mill can feed any
n which in turn can feed
y of the cement mills.

The complete interlocking
d monitoring of the approxi-
ately 1200 drives involved,
ill be done using the Siemens
MATIC Cl static switching
ystem. This system employs
tegrated circuits of the SZL
ystem which has high noise
mmunity and surge proof
gic. Also all outputs are
hort circuit proof.

Siemens are supplying simi-
ar SIMATIC Cl panels for
hree other cement plants for
Cement Corporation of India
s well as one for the Tamil
Nadu State Cement Corpora-
ion and for the Maihar
Cement Plant, MP.

GIIC Phenol Project

The foreign technical col-
laboration proposals for the
phenol project of Gujarat
Industrial Investment Corpo-
ration have been cleared by the
central government. The pro-
ject with a capacity of 10,000
tonnes per annum will be
based on toluene as raw
material to be made available
by Indian Petro Chemicals
Corporation Limited after
extraction from its C 7 stream.

The clearance now accord-
ed would allow import of
foreign tehnical know-how
from M/s Stamicarbon Bv.—
a subsidiary of DSM, a Dutch
government undertaking—
as well as for obtaining basic
engineering and other techni-
cal facilities from Krebs &
Cie, SA, Paris.

The project cost is estimat-
ed at Rs 14 crores out of
which investment in plant and
equipment—both imported
and indigenous—would be
around Rs 7.25 crores. The
project does not involve any
import of raw materials ex-
cept some quantities of cata-
lysts.

World Bank Loan for Telecommunication

The World Bank is providing
this country a loan of US
$818.5 million out of which
$120 million are for the
improvement of telecommunica-
tions facilities. Some 60 million
in small towns and villages will
have access to telephone
facilities for the first time
under the current five year
Plan; half of this will be
provided under a seventh
telecommunications project to
be supported with the World
Bank loan.

With more than two million
telephones and more than 1.7
million direct exchange lines,
India has a comparatively
large telecommunications net-
work by world standards; yet,
the quantity and quality of
telephone and telex service is
poor compared to many other
countries. Our telephone
density of 0.3 (per 100 popula-
tion) is half the average for
Asia excluding Japan; pros-
pective telephone subscribers
must wait many years for
service; and many rural areas
are totally without service.
The Bank-assisted project will
expand and improve services
outside large metropolitan
areas as well as reduce the

GOVERNMENT OF INDIA

6 1/4 PER CENT LOAN, 1993 TO BE ISSUED AT RS. 100.25 PER CENT AND REPAYABLE AT PAR ON 1ST JULY 1993.

6 1/2 PER CENT LOAN, 2001 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST JULY 2001.

6 3/4 PER CENT LOAN 2006 (SECOND ISSUE) TO BE ISSUED AT RS 100.00 PER CENT AND REPAYABLE AT PAR ON 15TH MAY 2006.

Subscription to the above loans will be received simultaneously and will be limited to a total of Rs 400 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) Securities of the 4 3/4 per cent Loan, 1978 which will be accepted for conversion. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. Interest on the securities of 4 3/4 per cent Loan, 1978 will be paid at the rate of 4 3/4 per cent per annum upto and inclusive of 30th June 1978 at the time of issue of the new securities.

3. In the case of 6 3/4 per cent Loan, 2006 (Second Issue) interest for the period 1st July to 14th November 1978 inclusive will be paid on 15th November 1978 and thereafter interest will be paid half-yearly on 15th May and 15th November. Interest on 6 1/4 per cent Loan, 1993 and 6 1/2 per cent Loan 2001 will be paid half-yearly on 1st January and 1st July.

4. Interest on all the loans now issued together with interest on other previous Government Securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments specified in section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs 1,50,000/-.

5. Subscription lists for the new loans will open on the 1st of July 1978 and close on 3rd of July 1978 or earlier without notice.

Applications for the loans will be received at:

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi, and Patna; and

(b) branches of the State Bank of India at all places in India except at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.

(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.

(iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the commission charges, in respect of Stock Certificate where the net amount of interest to be remitted is less than Rs 20 no money order commission will be charged.

(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.

(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5.

waiting time for high priority applicants in the big cities.

The project consists of four subprojects. The three other subprojects are concerned with upgrading and modernizing the production facilities of the three major government-owned telecommunications equipment manufacturers: Indian Telephone Industries Ltd (ITL), Hindustan Cables Ltd (HCL) and Hindustan Teleprinters Ltd (HTL). These subprojects provide replacement machinery in the production and toolmaking units and the addition of modern testing and measuring equipment to replace and supplement obsolete existing equipment. The bank loan has a term of 20 years, including 3 years of grace, with interest at 7.5 per cent per annum.

British Aid for Fertiliser Complex

The British government is allocating £ 26m from aid funds to India towards the cost of a £150m nitrogen fertiliser complex at Kakinada, Andhra Pradesh, it is officially announced. This will help India to achieve self-sufficiency in nitrogen fertiliser production. At the centre of the complex will be two plants—a 900-tonnes-a-day ammonia plant and a 1,500-tonnes-a-day urea plant. The fertiliser will be used mainly to increase rice and sugarcane production in Andhra Pradesh farmlands.

The government has approved the award of overall responsibilily for the scheme to the British engineering contracting group Foster Wheeler Ltd., of Reading. The scheme is being undertaken for Nagarjuna Fertilizers & Chemicals Ltd., of Hyderabad, in which the majority shareholder is the Andha Pradesh government.

Volvo Goes Swedish-Norwegian

Volvo, the Swedish auto manufacturers and the country's largest industrial enterprise, is to become a joint Swedish-Norwegian company under the terms of a preliminary agreement on industrial and energy cooperation between Volvo and the Norwegians government. The scheme provides for an expansion in Volvo's industrial activities, the starting up of technical development in Norway, and for Swedish involvement in oil prospecting on the Norwegian continental shelf.

The new company, to be called Volvo (Svenskt-Norskt AB), will have two partners: the present Volvo shareholders who through Svenska AB Volvo will own 60 per cent of the shares, and Norsk Volvo A S through which the Norwegian state and private interests will contribute Sw. Kr. 750 million ($160,000,000), or 40 per cent of the share capital. A final agreement will be signed before October 15, 1978, following approval by the Norwegian parliament and the Volvo shareholders meeting.

IDBI Aid to Rural Sector

The Industrial Development Bank of India has considerably stepped up its assistance to projects in the backward regions and those in the priority sectors.

As per the break-up of its performance during 1977-78, sanctions under direct assistance schemes to backward districts rose from Rs 29 crore in 1975-76 to Rs 136 crore in 1976-77 and Rs 242 crore in 1977-78, while the assistance to backward districts under refinance schemes rose from Rs 64 crore to Rs 102 crore. The sanctions to small units under the refinance scheme went up from Rs 92 crore to Rs 161 crore.

The direct assistance to priority sector industries rose by more than 100 per cent from Rs 135 crore in 1976-77 to Rs 288 crore in 1977-78.

The IDBI assistance sanctioned during 1977-78 (excluding guarantees) aggregated to Rs 826.6 crore, a rise of Rs 173.6 crore (26.6 per cent) on top of an increase of Rs 300.4 crore in 1976-77. The assistance utilised at Rs 429.4 crore was an increase of Rs 58 crore (15.6 per cent) during the year.

Soft Loans

Under the normal direct assistance scheme, soft loans and TDF sanctioned aggregated to Rs 363.9 crores (236 projects) compared to Rs 216.6 crore (190 projects) in 1976-77. Soft loan scheme totalled Rs 58.8 crore in respect of 72 projects during 1977-78, raising the total sanctions under the scheme, since the inception of the scheme in February, 1977, to Rs 78.9 crore (95 projects).

The sanctions under the bills discounting scheme at Rs 142.9 crore during 1977-78 were lower by six per cent compared with that of the previous year. The decline was because of the lower sanctions to public sector undertakings such as the state electricity boards and the state road transport corporations.

Export finance schemes rose from Rs 37.3 crore in 1976-77 to Rs 45.9 crore in 1977-78. IDBI sanctioned four foreign lines of credit totalling Rs 29.9 crore to institutions in Korea (Rs 5.4 cro Mauritius (Rs 5 crore), Ke (Rs 2 crore), Viet N (Rs 17.5 crore) and Rs crore under the overs buyers' credit to Indonesia.

Names in the News

The managing commit of the Indian Banks' Asso tion has elected the follow office bearers. They will h office until the next Ann General Meeting of the As ciation. Chairman: **Mr P. Gutta** (Central Bank of Indi **Deputy Chairmen**: Mr P.C. Nambiar (State Bank India); Mr K. Wari (Grindlays Bank Ltd.); R. C. Shah (Bank of Barod

Mr C. S. S. Rao, forme Managing Director, Bha Heavy Plate and Vessel Lt has taken over as Chairma Indian Telephone Industr Ltd in place of **Mr I.K. Gup** who has retired.

Mr Bazle Karim has be appointed Additional Secr tary & Director-General of t Bureau of Public Enterpris in the ministry of Financ **Mr Karim** joined the Bure of Public Enterprises as Ad ser (Production) and he administrative charge of t Bureau from 1975 to 197 Recently, he was elected Chairman of the Committ to draw up the constitution the International Centre f Public Enterprises in Develo ing Countries established Ljubljana in Yugoslavia.

Mr James Raj was elect as chairman of the board directors of ICICI in place **Mr H.T. Parekh**. Mr James R who has been associated wi ICICI over a long period, h been the vice-chairman of t board. **Mr S. S. Mehta**, t managing director of ICIC was elected vice-chairman the board.

COMPANY AFFAIRS

nk of India on Top

DEPOSITS of the Bank of a increased by Rs 299 es, i.e. by 16.2 per cent, ing the year ended Decem- 1977 to reach Rs 1642 res, thus putting the bank top of the list of 14 natio- ised banks. The bank has n selected for national ard for outstanding perfor- nce in export promotion ring 1976-77. The total ns and advances of the nk increased by Rs 105 ores (11 per cent) during e year. Investment went up Rs 53 crores from Rs 390 ores to Rs 443 crores. The tal working funds increased Rs 299 crores or 16.5 er cent. At the end of the ear the working funds stood Rs 2115 crores. The total ncome of the bank went up by s 19.48 crores and the expen- iture increased by Rs 19.45 rores. The balance of profit or the year stood at Rs 3.28 rores, which is Rs 3 lakhs nore than in 1976.

The bank decided to trans- er Rs 1.20 crores from profit and loss to reserves and has transferred Rs 5.95 crores from reserves to the paid-up capital thereby augmenting the paid-up capital to Rs 10 crores which is the largest for any public sector bank.

Branch Network

The bank's branch network in India increased by 88 to 1123 at the end of 1977. Rural and semi-urban branches account for 63.2 per cent of the total branches as against 61.7 per cent at the end of 1976. It has been strengthening the capital base by increasing the paid-up capital as well as the reserves in conformity with the increase in deposits.

Bank of India continued to maintain its prominent position in the field of export credit which stood at Rs 113 crores at the end of the year. The bank accounts for over 10 per cent of the total export credit of the banking system. During the year under reference the bank opened four overseas offices and in the current year proposes to open four more offices abroad.

The bank increased its lending to priority sectors from Rs 218.05 crores to Rs 242.47 crores, and the ratio of credit to priority sectors to total advances went up from 25.0 per cent to 26.7 per cent. About 67 per cent of the incremental credit during 1977 went to priority sectors. A big push is proposed to be given during the current year and the advances to priority sectors are projected to reach 30 per cent of total advances.

Syndicate Bank

The total income earned by the Syndicate Bank has increased to Rs 78.72 crores during the year ended December 31, 1977 as against Rs 69.08 crores during 1976. The total expenditure during 1977 was Rs 76.80 crores against Rs 67.25 crores during 1976. Net profits rose to Rs 1.92 crores during the year under review from Rs 1.83 crores in 1976. According to the directors of the bank the margin between the cost of funds and the revenue from lending was getting narrowed down while expenditure was showing a rising trend. This inroad into the profit was the general trend with the banks.

The total deposits of Syndicate Bank stood at Rs 845 crores at the end of 1977 against Rs 691 crores at the end of the previous year. As against an average rate of deposit accretion of 18 per cent for the banking industry in the country during the year, Syndicate Bank's deposit growth was 22 per cent. Rural branches numbering 384 have contributed Rs 94.93 crores to the total deposits.

Agricultural Advances

The bank, according to its directors has renewed and revitalised its differential rates of interest scheme, the small farmers' window and the small scale industries development programmes to subserve the weaker sections of the society. Being a pioneer in the field, total agricultural advances of the bank had increased to Rs 77.51 crores at the end of 1977 as against Rs 67.61 crores during the previous year. The bank's advances to the small-scale industres have increased from Rs 62.37 crores at the end of 1976 to Rs 74.38 crores at the end of 1977. Under the lead bank scheme, Syndicate Bank has the responsibility of 18 districts. It has assumed the responsibility of one more district, that of Ghaziabad, and has started the survey of this district.

Syndicate Bank has considerably expanded its foreign business during 1977. The bank has nurtured a few garment exporters who account for a sizable share of the total garment exports of the country. The bank has a fairly large share of financing of leather products. It is estimated that the exports financed by the bank account for Rs 230 crores.

During the year 1977, the bank had opened 93 branches as against 72 during 1976. Its rural branches constitute 41 per cent of its total branches. Out of the 93 branches opened in 1977, 52 branches were located in unbanked rural centres. The bank earned two awards during the year for promoting rural development activities.

Bihar Alloy Steels

The production of alloy, tool and special steel ingots/continuous cast blooms of Bihar Alloy Steels Ltd during the year ended December 31, 1977, aggregated to 31,580 tonnes against 19,477 tonnes in 1976. The output and despatches of finished alloy, tool and special steels were 24,473 tonnes and 23,876 tonnes against 12,211 tonnes and 11,454 tonnes respectively during the previous year. The company has been manufacturing a large number of sophisticated grades of alloy, tool and special steels. Sales during the year (less returns, claims, discounts etc) amounted to Rs 15.20 crores against Rs 6.05 crores during the year 1976. The directors report that the working for the year has resulted in a small cash profit of Rs 5.69 lakhs against a cash loss of Rs 2.47 crores in the previous year.

After adjusting this from the sum of Rs 2.12 crores provided for depreciation on straight-line method and Rs 2.10 lakhs for preliminary and share issue expenses written off, the directors have carried over a

net deficit of Rs 2.09 crores to the balance sheet. It has not therefore been possible for the directors to make provision of arrears of development rebate and investment allowance reserves aggregating to Rs 5.23 crores and also for the investment allowance reserve for the year amounting to Rs 2.15 lakhs. Out of the additional term loans aggregating four crores of rupees proposed to be raised, a sum of Rs 2.85 crores was disbursed to the company. The balance loan amount of Rs 1.15 crores was expected to be disbursed to the company early. With improvement in the market conditions and increased availability of working capital, the directors are hopeful of achieving better results during the current year.

Tube Investments

The overall performance of Tube Investments of India Ltd in 1977 was better than that of the previous year. The major factor contributing to this improvement, according to its chairman, Mr A.M.M. Arunachalam, was the performance of the tubes unit.

The bicycle unit had made losses once again in 1977, though lower than previous two years, due to the unfortunate incidents at the bicycle factory on January 11, 1978 culminating in the suspension of operations of that factory.

During the last two years, the management's plans and efforts, according to the chairman, had begun to yield results and had been accepted and appreciated by the customers, the trade and the suppliers. It looked as if the time had come for the company to turn the corner in terms of pushing up sales of this quality product both in the domestic and the international markets.

The layout of the unit which was designed for implementing the 'integrated operations' licensed 25 years ago, the chairman states, needed to be redesigned with a view to improving the utilisation of plant and equipment without unduly casting a burden on the workmen. That the relay-out of this plant should not have received the cooperation of the workmen was the most unfortunate part of the tale of TICI.

In spite of the odds, the chairman states, the management of TICI had worked out a turn-round strategy and were in the process of implementing it successfully when militant labour elements precipitated a showdown and frustrated the pursuance of the good work already undertaken.

The chairman states that the company did not want to close down a unit just for the sake of doing so.

The directors, Mr Arunachalam states, have referred, in their report, to a fresh issue of equity capital to be utilised for the expansion of the company's existing production facilities.

Finance for Expansion

The equity issue which might be brought out in early 1979 the chairman states, would be utilised to finance this expansion.

The company has with the help of the Indian Institute of Technology, designed a prototype bullock cart made of tubes and metal sections. The advantages of this cart, in addition to the considerably longer life that it will have, are the higher pay-load it can carry and the incorporation of features that reduce the load on the bullock.

The working results of the company were reported in *Eastern Economist* of June 2, 1978.

Kothari (Madras)

The pretax profits (after depreciation) of Kothari (Madras) Ltd for the seven months ended January 31, 1978 has been Rs 82 lakhs against Rs 1.33 crores for the whole year ended June 30, 1977. The company forecasts a pretax profit of Rs 2.05 crores for the year ending June 30, 1978 and a net profit of Rs 1.35 crores. A review of the company during the seven months ending with January 1978 indicates that the realisation in tea has averaged Rs 13.79 per kg as against Rs 12.02 per kg during the corresponding period last year. It expects the sales realisation to be maintained at this level for the year ending June 30, 1978. The coffee earnings also have gone up.

A significant improvement was registered in the operations of the textile division. Against a loss of Rs 48 lakhs during the seven months ending with January 1977, this division had made a pre-tax profit of Rs 10 lakhs in the same period this year, which means an overall improvement in the profitability. Market prices were encouraging. Nonetheless this breakthrough in profitability was effected because of the newly instituted inventory control, other financial management measures, and due to lower cotton cost thanks to the cash purchase system introduced in June 1977. The modernisation that the division had been carrying out for years has also started yielding results.

The production of fertilizers during the seven months ending with January 1978 was 20,000 tonnes of superphosphates and 7000 tonnes of sulphuric acid. The governme had given a subsidy of Rs 2 per tonne on superphospha During the seven months operation, this division h earned a profit of Rs 12 lak and the overall profit for t year is estimated at Rs lakhs.

Goetze (India)

Goetze (India) Limited, t recently a subsidiary of Escor Limited, has offered equi shares worth Rs 150.40 lak (including a premium of Rs per share of Rs 10) which w open for public subscriptio on June 26, 1978. The issue jointly promoted by Escor Limited and Goetzewerk Friedrich Goetze AG of We Germany, its former coll borators, who remain its tec nical associates and financi partners. Announcing this at press conference, Mr H. Nanda, chairman, Escor Limited and managing dire tor, Goetze (India) Limite said the issue was intended partially finance the cost the company's expansion pr ject at Yelahanka, Bangalor

Goetze (India) Limited wa set up in 1954 for the manu facture of piston rings an cylinder liners. The manufa turing plant set up at Bahadu garh, Patiala, in 1957 with licensed capacity of 12 millio piston rings is already produ ing 13 million piston rings.

The new plant at Yelahanka Bangalore, with a license capacity of 10 million pisto rings per annum is expected t help meet the increasing de mand for the company's pr ducts. Mr Nanda said tha the new plant at Bangalor will manufacture, besides th existing range, highly specia lised piston rings employin sophisticated technology The Yelahanka plant is rapidl approaching completion an

irst phase commenced uction in April 1978, d of schedule. The project pected to be commissioned in 1979.

ne gross total income of company had increased Rs 120.21 lakhs in 1968 s 363.10 lakhs in 1977. ing the same period, the it before tax had increased Rs 46.63 lakhs to 90.28 lakhs. The com- y had maintained a divi- d of 20 per cent during last decade, except in 1974 en it had to be limited to per cent due to statutory trictions. Between the years 66 and 1977, the company d announced three bonus ues resulting in a capital preciation of nearly 5½ nes.

The total cost of project is timated at nine crore of ru- es. This is proposed to be anced from rupee and foreign rrency loans. The company now offering to the pub- for subscription 12,53,328 uity shares of Rs 10 each at premium of Rs 2 per share. he issue is fully underwritten. The subscription list will pen on Monday, June 26, 978.

Mahindra Spicer

The income of Mahindra picer Limited has increased o Rs 5.91 crores during the ear ended January 1978, as gainst Rs 5.78 crores during 976 (upto end January 1977). Gross profit comes to Rs 46.01 akhs against Rs 42.45 lakhs in the previous year. After provision for depreciation at Rs 8.14 lakhs and setting apart Rs 25.25 lakhs for taxa- tion and Rs 70,000 as invest- ment allowance reserve, the proposed dividend will absorb Rs 5.90 lakhs.

The results of the company, which made a public issue of 4,20,060 equity shares of Rs 10 each at par in August, 1977, have shown a satisfactory improvement. Even though the sales have gone up by 2.4 per cent, there has been marked improvement in profitability. The profit before tax has gone up by 13.2 per cent.

The board of directors recommend a dividend of 10 per cent (subject to deduction of tax) on the increased capital. The new shares allotted in October 1977 will rank for *pro rata* dividend on the amount paid up and for the period thereon.

The company maintained its position as the leading supplier of ash handling plants to thermal power stations. It is envisaged that about 47 thermal power stations will be set up in the country within the next five years and this will ensure a continuous and increasing demand for the company's ash handling equipment.

The sales of automotive clutch assemblies recorded a sizeable growth and exports of clutch assemblies were made to Singapore, the USA and the Netherlands.

The company's new plant at Nasik is fast nearing completion. Plant and machinery are in the process of being installed and the company expects to commence trial production in July this year. Commercial production would follow in October.

Refractory Specialities

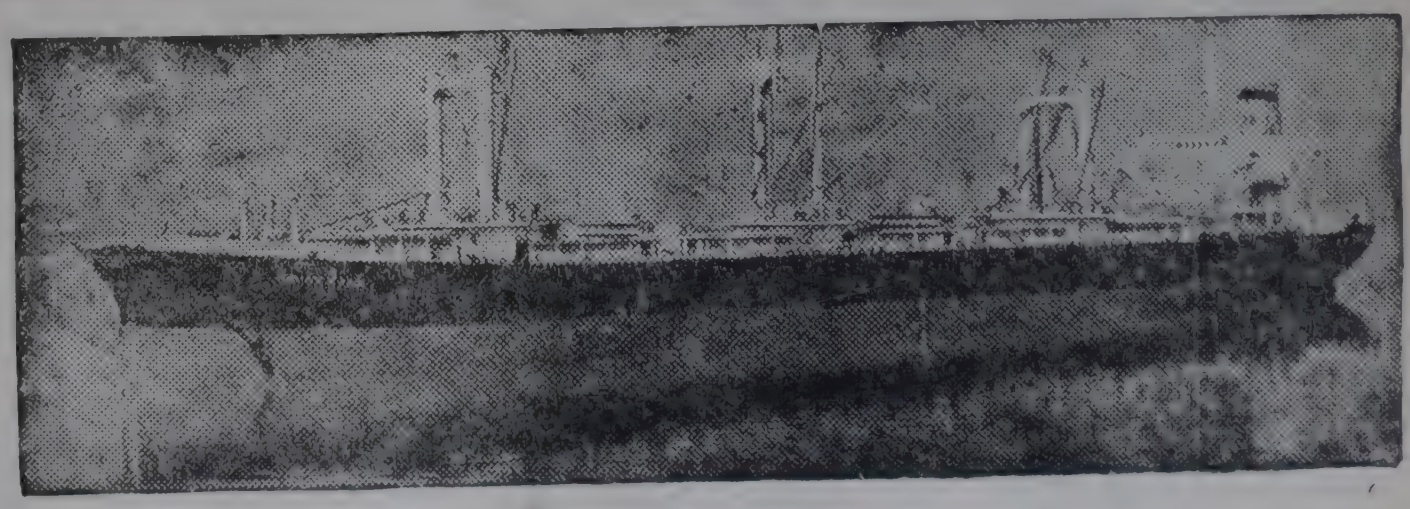
Refractory Specialities (India) is entering the capital market on June 19 with 3.70 lakhs equity shares of Rs 10 each for cash at par in order to raise a part of finance required for setting up a plant in Bihar.

The company was incorporated on June 6, 1974 as a public limited company in Uttar Pradesh. Now the company changed its registered Offiee from UP to Bihar.

The company was promoted by Haryana Refractories Private Limited, The promoters are experienced in the refractories business as they are closely connected with running and supervising of refractory mannfacturing units in Bihar, Haryana and Rajasthan and having also organised a sales network to promote these products.

The company has entered into technical collaboration with North American Refractories a division of Eltra Corporation of the United States, Cleveland, Ohio. The collaborator is one of the leading manufacturers in the world of high alumina bricks and monolithic specialities and possesses sophisticated technology in the manaufacture of refractories.

The plant and machinery required for the manufacture of the company's products consist of special clay machines which are readily available in the country. The com-



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pany has also reeeived an import licence for Rs 21.10 lakhs for the import of plant and material required.

The total cost of the project is estimated at Rs 190 lakhs. It proposes to finance the project through share capital of Rs 70 lakhs and term loans Rs 120 lakhs.

Refractories industry provides the basic materials required by steel plants and in aluminium, cement, fertiliser and petrochemical industries. The company proposes to manufacture sophisticated type of refractories to meet the present gap in demand for and supply of these products.

National Rayon

The National Rayon Corporation has fared better during 1977. Gross sales have risen from Rs 44.83 crore in 1976 to Rs 49.42 crores in 1977. Net sales after excise duty have increased from Rs 35.68 crores to Rs 40,41 crores. The working has resulted in a gross profit of Rs 141.52 lakhs in 1977 against the loss of Rs 48.34 lakhs in the previous year. Various steps were taken by the management for improving the company's operations after the appointment of eight government directors in July 1977.

After providing Rs 130.39 lakhs (Rs 130.12 lakhs) for depreciation, Rs 278.20 lakhs (nil) for doubtful debts and advances, Rs 50 lakhs (nil) for contingencies, there is a net loss of Rs 317.07 lakhs against the net loss of Rs 178.46 lakhs in the previous year. After transferring Rs 15.50 lakhs (Rs 28,000) to investment allowance reserve and writing off Rs 26,598 (Rs 48,491) of rights issue expenses there is a debit balance of Rs 332.84 lakhs (Rs 179.22 lakhs). After some write backs, a sum of Rs 308.63 lakhs (Rs 179.07 lakhs) has been adjusted against the general reserve.

As a result of several irregularties committed in the management of the company's affairs during the period prior to the appointment of the government directors, the directors had to make a provision of Rs 278.20 lakhs for doubtful items of book debts and loans and advances.

The second phase of the nylon plant installation, which had been suspended during 1976 was taken up in 1977 following the clearance of assistance by financial institutions. A major part of the plant for manufacturing nylon tyrecord and making it into fabric has been installed and the first lines of cord-making and fabric-making facilities were commissioned in March 1978.

Production of rayon textile yarn totalled 9,468 tonnes in 1977 against 9,681 tonnes in 1976 and that of rayon tyrecord 4,865 tonnes against 4,500 tonnes. Commercial trials of super 11 tyrecord yarn were taken up towards the end of 1977 by modifying the spining machines departmentally. Production of nylon yarn was 570 tonnes against 477 tonnes in 1976.

Herdillia Chemicals

Herdillia Chemicals is looking forward to another good year of performance. It has maintained its progress in the current year and the preliminary results for the first five months of 1978 are encouraging. The management hopes that the company's operations will be in line with its expectations for the full year. The import policy announced in April, 1978 appears to provide reasonable protection for the products being manufactured by the company, and the previous constraints in achieving higher production levels because of excessive imports will no longer come in the way of the company's progress, it is felt. The company's application for doubling the capacity of its phthalic anhydride plant is being considered by the government.

With the recognition of its research and development laboratory by the department of Science and Technology, the company has been regularly investing in routine replacements and modifications in its plants, it is considered necessary to review technological improvements and modernise its facilities so as to conserve energy and achieve higher levels of efficiency. Detailed technical assessments have been initiated for the purpose.

Stewarts & Lloyds

Stewarts and Lloyds of India Ltd, will pay 16 per cent for 1977 the same as that paid for the previous year. The dividend for the year is payable on expanded capital following the issue of bonus shares in the proportion of one equity share for every four such shares held and will require Rs 16 lakhs against Rs 12.80 lakhs.

Sales during the year were Rs 8.06 crores against Rs 6.74 crores in 1976. The working results for the year showed a net profit of Rs 26.63 lakhs against Rs 24.27 lakhs in the previous year after providing Rs 8.16 lakhs (Re 9.31 lakhs) for depreciation and Rs 39 lakhs (Rs 33.10 lakhs) for taxation.

Despite difficult market conditions the profit during 1977 was a record one. The new lines of production, according to the chairma have proved to be useful ad tions to the activities. T permission has also be granted for diversification the areas of specialised pi fittings.

The British Steel Corpo tion International has agre that the reduction in non-re dent holding be achieved British Steel Corporati International Ltd's subsidia Stewarts and Lloyds (Overse Ltd. by making an offer sale of two lakh equity sha of Rs 10 each to the existi Indian shareholders in the ra of one for every two sha held and in pursuance of t decision an application to t Reserve Bank for its perm sion has been made. Sharp rising prices of steel, would the company's margin and 19 would, therefore, be a difficu year, although it was hop that the company would ho its own.

Amar Dye-Chem

Amar Dye-Chem has ach ved net sales (including e ports) of Rs 9.25 crores in t first five months of the curre year against Rs 10.39 cro in the same period of 197 The chairman, Mr J.H. Dos told the annual meeting Bombay recently that to sales for 1978 were expect to be maintained at the 19 level. Exports in the fi five months of the current ye were lower than those in t corresponding period of t preceding year mainly due the recession in the textile i dustry in the internation markets. The price cutti resorted to by other exporte particularly those in the sma scale sector, affected the co pany's performance on t export front.

The company hopes to co plete the projects such as ac

ore dyes, vinyl sulphone of reactive dyes, cyanuric ide as well as the various nsions to the existing s at Shahad near Bombay ng this year and others mid-1979. In view of non-availability of land ne present plant site, the re expansion programmes proposed to be undertaken Vapi (Gujarat) where land been acquired. While the pany will continue to ex- d the range of dyes, the phasis for future investment uld be on the manufacture intermediates for captive sumption as well as for .

t has selected a list of inter- diates it intends to manu- ture in the near future eping in view the govern- nt's policy on reservation r the small-scale sector. The ant for vat dyes is expected achieve substantial produc- on by the end of this year.

The basic intermediate and s derivatives will also be oduced at this plant.

The company has decided to llaborate in setting up a int venture to manufacture rtain dyes in Indonesia milar to those which are pre- ntly being exported by it to hat country.

Company News in Brief

Cawnpore Sugar Works Ltd

The directors have recom- nended payment of arrears of lividend to preference share- holders for the consecutive years 1956-57 to 1958-59, whose names were on the register of the company on May 26, 1978 at the rate of eight per cent.

Margaret's Hope Tea Co Ltd

Although the company is working at a profit its financial position is extremely adverse and the directors had under consideration its amalgamation with another tea company.

Adarsh Chemicals & Fertilizers

The directors have recommended dividends for the year 1977 at 9.8 per cent on 25,000 redeemable cumulative preference shares of Rs 100 each and at Rs 10 per share on 85,834 equity shares of Rs 100 each.

The Laxmi Vishnu Textile Mills

The directors regret their inability to recommend any dividend for 1977 either on preference or equity shares. Although the company shows a marginal cash profit, this was converted into a substantial loss because of the bonus liability for 1976. The losses incurred in 1975, 1976 and 1977, have caused considerable strain on the company's working capital.

Kunal Engineering Company

The directors have recommended payment of dividend for the year ended March 31, 1978 (a) at Rs 1.50 per share on 300,000 equity shares of Rs 10 each, (b) at 0.75 per share on 600,000 equity shares of Rs 10 each, Rs 5 per share paid-up.

Hooghy Docking & Engineering Co Ltd

The company has incurred a net loss of Rs 98.39 lakhs for the year 1977. This loss along with Rs 5.95 crores brought forward from the previous year has been carried forward to the next year.

Baroda Rayon Corporation

The annual turnover of the corporation for the year ended December 1977 has been Rs 43.54 crores and not Rs 33.54 crores as erroneously reported in *Eastern Economist* of May 26, 1978 in its review of the company on page 1051.

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Deposits with non-banking companies, 1973-74

According to a study published in the January 1978 issue of the Reserve Bank of India Bulletin, some 4,236 non-banking companies reported deposits and exempted borrowings totalling Rs 1,028.6 crores as of March 1974, as against the 2,841 companies which had reported deposits and exempted borrowings totalling to Rs 747 8 crores a year before.

OF THIS amount, deposits accounted for Rs 483.7 crores and exempted borrowings for Rs 544.9 crores. The corresponding figures for March 1973 were Rs 373.7 crores and Rs 374.1 crores, respectively. The rise of Rs 110.0 crores in deposits is attributed to the increase in the number of reporting companies and partly also to the rise in the actual amount of deposits accepted by both non-financial and financial companies.

Exempted Borrowings

In the case of exempted borrowings, the rise of Rs 170.8 crores was due partly to the net increase of 1,086 in the number of reporting non-financial companies (of which 557 did not hold deposits but only exempted borrowings) and of 309 in the number of reporting financial companies and partly to the increased borrowings resorted to by certain others.

The table alongside compares the number of financial and non-financial companies and deposits/exempted loans accepted by them as at the end of March 1974 with those a year ago.

The number of reporting non-financial companies went by 1,086 to 3,048, total exempted borrowings by Rs 122.9 crores to Rs 320.9 crores and deposits by Rs 84.3 crores to Rs 403.7 crores. Of the increase in deposits, deposits guaranteed by directors and shareholders' loans, etc, accounted for Rs 19.9 crores and the entire balance of (Rs 64.4 crores) represented the increase in fixed and other deposits.

Rise in Deposits

Although the number of reporting financial companies increased by 309 to 1,188 some 620 companies did not report deposits. The deposits and exempted borrowings reported by financial companies showed a rise of Rs 25.7 crores and 47.9 crores, respectively. The bulk of the increase in exempted borrowings was accounted for by loan companies whose number increased by 42 to 251, while borrowings by hire-purchase companies declined by Rs 2.1 crores despite the increase of 40 in their number. Of the increase of Rs 25.7 crores in the total deposits of financial companies, fixed and other deposits increased by Rs 26.0 crores to Rs 63.2 crores, while guaranteed deposits, etc., declined by Rs 0.3 crore to Rs 16.8 crores. The actual increase in the aggregate deposits and exempted borrowings accepted by the different types of companies during the year 1973-74 as compared with the previous year was, loan companie empted borrowings by Rs crores to Rs 113.1 crores

The concentration of re ing companies and dep (on the basis of the sta registration of the comp and not necessarily on the of the state of origin deposits) continued to the three states of M rashtra, West Bengal and T Nadu which together accou for 2,703 (63.8 per reporting companies aggregate deposits of Rs 3 crores (70.4 per cent) exempted borrowings Rs 394.7 crores (72.5 per c Of these, 1,202 companies aggregate deposits of Rs 4 crores were in Maharash The deposits and exem loans of the remaining 1 reporting companies (36.2

(Amount in crores of

	No. of reporting companies	Deposits	Exempted borrowings	T
Hire-purchase finance companies				
March 1973	122	25.8	16.4	
March 1974	162	31.9	14.3	
Other financial companies				
March 1973	757	28.5	159.7	18
March 1974	1,026	48.1	209.7	25
Non-financial companies				
March 1973	1,962	319.4	198.0	51
March 1974	3,048	403.7	320.9	72
Total				
March 1973	2,841	373.7	374.1	74
March 1974	4,236	483.7	544.9	1,02

totalling Rs 294.5 crores per cent) were spread the other 19 states and territories.

against the 450 govern- companies at work as arch 31, 1974, 20 com- s (nine non-financial and 11 financial) reported deposits and exempted borrowings of Rs 124.8 crores, representing 12.2 per cent of the total deposits and exempted borrowings of all reporting companies in the non-banking sector amounting to Rs 1,028.6 crores.

Concentration of borrowings in the non-banking corporate sector continues to be in a few large companies. The aggregate deposits of companies in this sector formed only 10.1 per cent of the total deposits held by scheduled banks.

ebits to deposit accounts with scheduled ommercial banks, 1971-72 & 1974-75

Reflecting the speed or rapidity with which bank money was used by depositors between 1971-72 and 1974-75, turnover of current deposits rose from 51.6 in 1971-72 to 52.5 in 1974-75, according to a study prepared in the Banking Division of the Economic Department and published in the January 1978 issue of the Reserve Bank of India Bulletin.

ER THE period, 1971-72 and 4-75 turnover of cash credit l overdraft limits went up m 11.3 to 13.3. The turn- er of current deposits (work- out by dividing total debits current deposits by the aver- e of current deposits as on e last Friday of each of the ur quarters in the year) and e turnover of credit limits gether represent in a limited nse the transactions velocity hich is an indicator of busi- ess activity. The transaction elocity rose from 22.1 to 23.5 etween 1971-72 and 1974-75, dicating an overall rise in usiness activity; the figure or 1962-66 was only 15.7. avings deposits, being mostly ersonal, are not active com- pared to current deposits. The ncrease in their turnover was f only marginal standing at .0 in 1974-75, compared to 2.7 n 1971-72 and 2.2 in 1962-66.

The increase in accretion to savings and time deposits, noticed since the upward revision in interest rates in January 1971, gained further momentum with the further revision in savings bank interest rate from four per cent to five per cent in April 1974 and term deposit rate ceiling from 7.25 per cent to 10 per cent in July 1974. Current deposits increased by Rs 848 crores or 74 per cent and savings deposits by Rs 1,332 crores or 89 per cent. As between the two, the share of current deposits came down from 43 per cent to 41 per cent, while that of savings deposits rose from 57 per cent to 59 per cent.

Whereas the bulk of the current and savings deposits continued to be concentrated in the large population centres, their proportion to total deposits declined over the years, in contrast to the increase in the share of semi-urban and rural centres. This may be attributed to the massive branch expansion in areas hitherto unbanked. About 70 per cent of the offices opened since bank nationalisation were located in rural and semi-urban centres. Taking the total deposits, the share of rural centres went up from 7.4 per cent to 8.9 per cent and of semi-urban centres from 21.0 per cent to 24.2 per cent, while that of metropolitan centres declined from 48.4 per cent to 43.3 per cent. The share of urban centres increased marginally from 23.2 per cent to 23.5 per cent. A more or less similar trend was noticed in the case of total debits to these accounts except that the semi-urban centres showed the highest rate of increase of 141 per cent, compared to 113 per cent in rural centres, 94 per cent in urban centres and 56 per cent in metropolitan centres.

Savings Deposits

Savings deposits were quite predominant in rural and semi-urban centres accounting for two-fifths of the total savings deposits; current deposits in such centres accounted for only 22 per cent of total current deposits. A little less than one-fifth of total current deposits was owned by government and quasi-governments (19 per cent). Most of these deposits were held in metropolitan (54 per cent) and urban centres (26 per cent). Despite a slight decline in their relative share, metropolitan centres accounted for a little over one-half of total debits to current deposits and two-thirds of total debits to credit limits. The proportion of current deposits to total deposits and their debits at metropolitan centres declined between 1971-72 and 1974-75 from 58.7 per cent to 54.7 per cent and from 58.7 per cent to 50.8 per cent, respectively. On the other hand, all other population groups registered marginal increases. The highest share of cash credit and overdraft accounts was in large population centres, the metropolitan centres accounting for 59.5 per cent of total limits and 66.8 per cent of debits thereto in 1974-75 (compared to 65.9 per cent and 67.7 per cent, respectively in 1971-72). The corresponding percentage shares in other centres were: Urban centres 23.4 and 21.5; Semi-urban centres 14.1 and 9.9; Rural Centres 3.0 and 1.8.

Wide Disparity

There was wide disparity in the business handled by bank offices in rural, urban and metropolitan centres. The average amount of debits to savings account per office in metropolitan centres was eight times that of an office in rural centres; in the case of debits to current deposits and cash credit and overdrafts limits, it was as high as 44 times and 84 times, respectively. The foreign banks, which operate almost exclusively in metropolitan centres, showed the largest average amount of debits to current deposits and cash credit and overdraft limits per office of Rs 76.2 crores and Rs 117.4 crores, respectively, compared to Rs 9.6 crores and 5.9 crores for the State Bank group and Rs 4.8 crores and Rs 2.9 crores for the nationalised banks. In the case of other scheduled commercial banks which cater mainly to small and medium business and industry and whose operations are principally restricted to semi-urban and rural areas, the average amount of debits per office was Rs 2.4 crores in current deposits and Rs 2.1 crores in cash credits and overdrafts.

Case studies of agricultural families belonging to the weaker sections

An attempt to throw qualitative light on the problems of agricultural households belonging to weaker section is made in a study prepared by Dr H. B. Shivamaggi (until recently Adviser, Economic Department) included in "Occasional Papers" (Vol. II, No. II), published by the Reserve Bank. The study covers a drought-prone area village, a tribal village, a canal-irrigated paddy-growing village and an agriculturally prosperous village. The findings of the study are summarised below.

ABOUT 19 per cent of farmers, 19 per cent of farm workers and 73 per cent of rural artisans owned assets of Rs 2,500 or less per family. This is the hard core of poverty in rural India.

Quite a good deal of innovative effort is going on in India to achieve the uplift of weaker sections among the rural community. A few case studies on small farmers without the knowledge of the various government efforts would not give a true and balanced picture about the problem for a a vast country like India with diverse socio-economic conditions. This is an uphill task and a sustained effort over a long period under an overall development programme can alone make a perceptible dent in solving the problem of rural poverty.

Although various programmes have helped the small farmers in a big way, still one cannot say that their problems have been solved. While such efforts will have to go on, the fact remains that fundamentally the small farmer problem is linked with the pressure of population on land and thus may get solved gradually along with the overall economic development of the country.

The small farmers are so numerous in India that only a multi-pronged programme can hope to produce a tangible result. In this programme, land reforms have to be given the first place in the sense that the holdings of some of the small farmers could be enlarged through a lower ceiling on land and redistribution, etc. This also helps to convert the agriculturalist class into a homogenous group having the same interests as compared to the conflicting interests as of now.

In the meantime, if the overall development in the country pulls away some population from agriculture, as is happening in the state of Punjab, a favourable climate for the upward push of the small farmer economy would have been created. Along with this, the rural credit and extension agencies have to give preferential treatment to the small farmers so that they are able to make their agriculture viable through the adoption of high-yielding varieties. This calls for an extraordinary organisational bias and effort which obviously depend on political and institutional leadership for producing the desirable impact. Given this leadership, a whole programme to assist the small farmers could be envisaged.

Rainfall in India

Data relating to rainfall in the various regions in the country and the impact of rainfall on agricultural production are analysed in a study (prepared by Miss N.R. Kothare of the Division of Rural Economics, Economic Department) included in "Occasional Papers" (Vol. II, No. II), published by the Reserve Bank. The findings of the study are summarised below.

SOUTH-WEST monsoon (June-September) accounts for about 74 per cent of the aggregate rainfall, followed by post-monsoon rainfall (October-December) accounting for 13 per cent. Indian rainfall is variable from place to place, month to month and year to year. It is restricted to a few days in a year in western Rajasthan and Kutch and is spread over a longer period of seven to nine months in some areas of Assam and Kerala. All agricultural crops require rainfall in time. Crop failures are more often due to unseasonal rain rather than due to shortage in total rainfall. Even in the years of low total rainfall, high yields have been obtained when the rainfall is timely and well-distributed. But well-distributed rainfall can be expected only two or three times in a decade.

Taking into account the south-west and post-monsoon rainfall, it was observed that the rainfall was satisfact in 13 out of 27 years fr 1950 to 1976 covered in study. For another 10-y period, rainfall during south-west monsoon satisfactory. In 1965, 19 1972 and 1974, there large-scale failure of rain over large areas in country.

Striking Pattern

A most striking rainfall p tern that has emerged fr the analysis that, since 19 there seems to be a mark deterioration in the receipt rains in certain divisions western India, especially west Rajasthan, Saurasht Kutch and Konkan. Desp this deterioration, the amp tude of fluctuations in agric tural production has be reduced because of the int duction of technologi change in production, exte sion of irrigation facilities a larger areas brought unc rabi crop. Thus, the prope tion of gross irrigated area net sown area increased fr 19.0 per cent (22.6 milli hectarss) in 1950-51 to 28 per cent (45.4 million he tares) in 1975-76. Rabi cr accounted for 41 per cent total foodgrains producti in 1975, as compared wi 34.1 per cent in 1966-67.

Nevertheless, the expansi of irrigation facilities to t extent required to supplem the deficiency of rainfall a overcome its erratic behavio will take some years to a hieve. In the meantime, effor should be directed to devel scientific approach in t determination of the suitab lity of soil for different cro so that the cropping patte may be altered to atta higher agricultural productio

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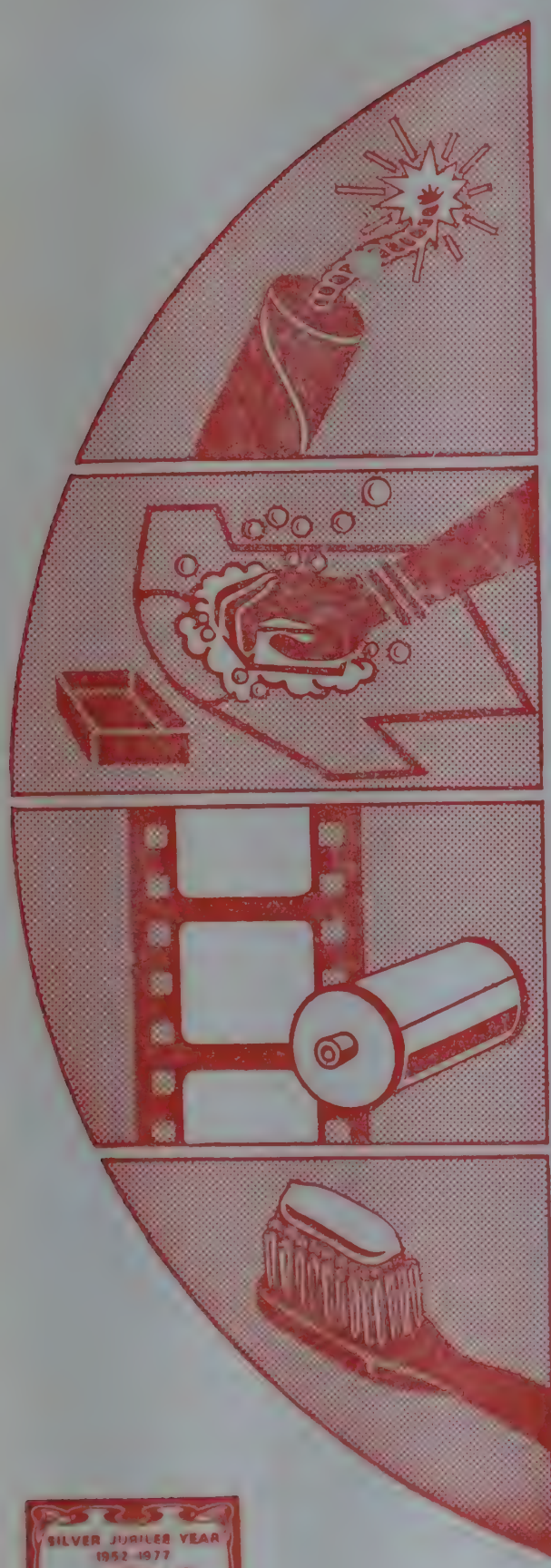

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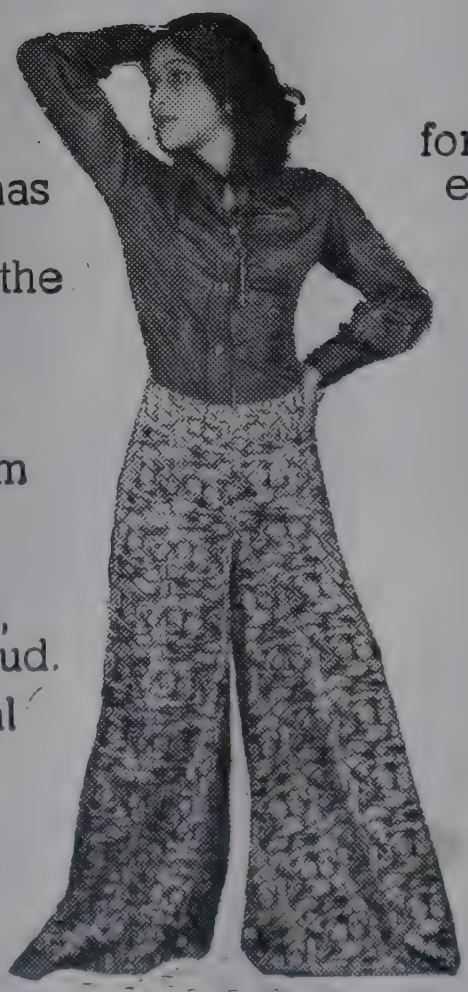

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A beautiful relationship

Mr Jimmy Carter and Mr Morarji Desai have undoubtedly established a beautiful relationship. This time there was not even any eavesdropping microphone to play some little mischief. Mr Carter and Mr Desai, it appears, are made for each other. They themselves have been referring to certain aspects of this compatibility in lyrical terms but there is more to it than either has thought fit to mention. The Watergate excesses helped to place a Carter administration in Washington just as the emergency excesses led to a Janata government in New Delhi. In either country the political change aroused greater expectations of good and purposeful government. However, both the president and the prime minister have been personally losing political ground. Their respective administrations are forfeiting popular goodwill and trust even faster. Mr Carter has been weakened by the inability of the White House to put through its legislative programmes smoothly or swiftly despite the Democratic majority in the Congress. The Morarji ministry is enfeebled by the tensions within the cabinet and the dissensions within the ruling party. The US president has so far been singularly unsuccessful in asserting control over major domestic problems such as inflation, energy conservation and the trade deficit. In New Delhi the government is equally helpless or drifting in its handling of issues such as power shortage, labour unrest and industrial stagnation. With so much to commiserate each other on, it is no wonder that Mr Carter and Mr Desai have so easily established a meeting of minds or a communion of hearts.

Not since the Napoleonic armies had to withdraw from Moscow, beaten by General Winter, has a head of state or government been reported to have returned without laurels from a foreign capital. It must be said to the credit of the prime minister however that he has not encouraged any claims to famous victories. Consequently, press accounts or analyses of the contribution his visit to the US has made for resolving the difficulties that have arisen in connection with American supplies of enriched uranium to the Tarapur plant have been on the whole realistic. Although Mr Desai's frankness, no less than his firmness, has done a good public relations job for him with Congressmen, the issue of the US fully honouring its contractual obligations throughout their duration, independently of the debate on safeguards, remains wide open. As for the next instalment of supplies to Tarapur, when the president visited New Delhi around the beginning of this year, he had given his word that this would be forthcoming and he has subsequently committed to the keeping of this pledge the executive authority of his office, which is sufficient for this purpose.

At an academic level, the prime minister has effectively articulated the case against the Nuclear Non-Proliferation Treaty in its present form or in current context, when the real threat to world peace comes from the nuclear rivalry of the super powers compounded by the persisting nuclear ambitions of the other "Haves". On the same plane, he has united his voice with other voices in the UN or other international forums urging the importance and immediacy of progress in the processes of disarmament.

There are not many indications that either the prime minister or his team was engaged seriously in discussing Indo-American economic relations or commercial affairs. There have however been half-hearted suggestions that the Carter administration's sympathy has been enlisted for the claims of sensitive Indian exports, particularly textiles and, more specifically, handloom garments being spared the grosser rigours of American protectionism. Mr Desai, however, appears to have given some attention to doubts in the American mind, official or non-official, about the keenness of the present government in New Delhi on the participation of foreign investments in India's industrialisation. But it is by no means certain that his assurances regarding the scope for multinationals succeeded in carrying conviction. After all, far too many

American businessmen know only far too well what is actually being said or done by ministers or ministries here. In fact the clouds of uncertainty are bearing down not only on foreign big business, but also on Indian big business and not only on big business, foreign or Indian, but also on modern industrialization as such, given the current state of the debate among our politicians.

The prime minister's halt in the UK on his onward journey to the US produced some interesting copy for the press, both British and Indian. But all that abundant anecdotage should not be allowed to stifle the substance of his valuable observations on the problems of the Indian immigrant community in the UK. His advice to Mrs Margaret Thatcher, the leader of the Conservative party, that the immigration issue should not be dealt with on a racial basis cannot be lightly regarded by any government in that country, if only because, as British commentators themselves have anxiously noted, non-white settlers now constitute a significant number of British citizens. Mr Desai's suggestion that Indian immigrants should assert their legitimate rights in a peaceful manner and through legal processes and not by resorting to vigilante activities or other such strategies of confrontation or physical violence underlines similarly his conviction that none of the parties involved stands to gain from departures from the norms of civilised human relations. At least in this case, Mr Desai has done no moralising; he has only spoken the language that wisdom and compassion alike would decree.

India and the EEC

THE EUROPEAN Economic Community (EEC) being our largest partner in trade, it was appropriate that the prime minister, Mr Morarji Desai, should have seized the opportunity provided by his recent brief visit to the Belgian capital to exchange views with the president of the EEC Commission, Mr Roy Jenkins, on economic matters of mutual interest. Reports suggest that these confabulations, which covered not only affairs of trade but also those concerning the entire gamut of economic cooperation between the two sides, were held in a cordial atmosphere. Their impact on our future relations with the EEC, thus, should be significant. Mr Desai himself has acknowledged that apart from our relations with all the members of the EEC being friendly, the latter have a soft corner for our country.

We have been having an adverse balance of trade with the EEC countries for several years, excepting 1976-77 when there was a surplus in our favour to as large an extent as Rs 428 crores. Around the turn of the current decade, we had a deficit in our trade with the EEC as constituted then—Rs 71 crores in 1969-70, Rs 89 crores in 1970-71, Rs 124 crores in 1971-72 and Rs 95 crores in 1972-73. But if the change in the complexion of this Community which took place in 1973 with the entry of Britain into it is taken into consideration and the consequential changes are effected in the export and import figures, the above deficits were of the order of Rs 4.39 crores, Rs 38.97 crores, Rs 165.50 crores and Rs 137.09 crores, respectively. By 1974-75, the deficit had grown as much as Rs 268.78 crores. It amounted to Rs 241.33 crores in 1975-76 and turned into a surplus of Rs 428 crores in 1976-77. The 1976-77 surplus, however, proved to be shortlived. The trade balance again turned against us during the first half of last year when our exports to the EEC amounted to Rs 626 crores, as against imports from there of the order of Rs 639 crores. The slackness in our exports and pick-up in imports later on during this year presumably only increased the deficit. The final figures, when available, should show that the deficit was quite substantial. The data available in regard to our trade with the Federal Republic of Germany suggest that during 1977, our adverse trade balance with that country more than doubled to DM 354 million from just about DM 170 million in the previous year.

We could have a favourable balance in our trade with the E in 1976-77 because of such fac as sizeable exports of silver, s in the shipments of garments, substa improvement in the exports of leather leather manufactures as well in thos non-edible oilseeds and oils and si ficant appreciation in the unit value tea and coffee in the second half of year. While exports to the EEC in 19 77, thus, registered an impressive in ase, imports declined substantially, pa cularly as a result of dwindled shipm of fertilisers and metals. Imports equipment too were at a low ebb foll ing near-stagnation in investment in industrial sector here. The princ reasons for the trade balance turn against us last year were large import vegetable oils from the EEC, on the hand, and a sharp fall in our exports silver and considerable deceleration the shipments of garments, groundn sugar and leather and leather goods, the other. The deficit would have b even more pronounced had tea exp not done well.

Fluctuations in both physical sh ments and unit-values of the commod traded are not uncommon in global spective. This, therefore, cannot be any great concern. But a signifi point to be noted about our exports year is the attempt being made by developed countries, including those the EEC, to contain their imports of s manufactured products as textile ma up, which have a good potential of ea ing foreign exchange by countries such

A UN agency has placed the Ganga among most polluted rivers of the world.

This is despite the fact that these ies were prevailed upon not many ago to introduce the scheme of lised preferences under which the s of manufactured products from veloping countries would have a access to the markets of the deve- nations. As a sequel to the global ionary tendencies developing in the of the 1973 oil crisis, there have ed in the developed countries pro- nist tendencies. This has resulted t only a halting implementation of bove scheme but also the scheme it- eing gradually diluted in respect of products.

quota restrictions

ur exports of textile fabrics and gar- ts to the EEC, which were showing uraging trends till lately, have suffer- s a result of the developed countries general attempting to restrict their y under quota restrictions. The annu- rowth in imports allowed by them now ges just from 0.25 per cent to seven cent in so far as our exports of textiles garments are concerned, the worst- cted items being the major ones ex- ted by volume. Although exports of ndloom products are exempted from cific quota restrictions, the overall ntening of the quota by the EEC is ving its impact on these exports as ll. The case of man-made fibres and ollen textiles is said to be no different.

It is generally believed that the textile dustry is a dying one in the major veloped countries, including those of e EEC. But this is far from the truth. he data available suggest that notwith- anding phenomenal increases in produc- vity, this industry directly absorbs in Vest Germany nearly 340,000 employees— pproximately five per cent of total indus- ial employees—and had a turnover of ore than DM 29 billion in 1976. The pparel manufacture provided further mployment to about 270,000 persons nd had an annual turnover of DM 18 illion. If the spinoffs are included, ore than a million persons earn their ivelihood in West Germany from the anufacture or distribution of textile oods. The textile and apparel indus- ries, in fact, are big industries in all the EEC countries. In Italy and France, they employ, like West Germany, about a million people. The figure for the UK is stated to be 25 per cent higher.

All this should suggest that resistance on the part of the EEC countries to liberalisation of textiles and garment imports will remain stiff in spite of the mounting labour costs as long as the employment situation there does not improve substantially. We have also to contend with the fast growth that is taking place in the textile industries of Spain and Portugal. It is pertinent to recall here that, for a considerable period, the EEC countries resisted lowering of tariff walls against imports of jute manufactures for the simple reason that a few thousands of old persons were engaged in a competitive occupation in one of the member countries in the sixties.

The process of liberalisation of imports by the EEC countries in regard to products which compete with their own goods, particularly when sizeable displacement of work-force is involved, thus, can be expected to be only slow and gradual. We, therefore, will have to look for some other areas of growth in trade. Leather and leather manufactures is a promising area. We can also make some further progress in regard to labour-intensive engineering products.

It is heartening to note that the point made by Mr Desai that despite the EEC accounting for nearly 23 per cent of our exports, the share of our exports in the total imports of the EEC comes to just about one per cent has been conceded by Mr Roy Jenkins. The proposal to open an Indian trade centre at Brussels and an EEC technology centre in India, which has found acceptance during Mr Desai's visit, has to be read against this backdrop. The understanding reached on the renewal of the Indo-EEC Commercial Co-operation Agreement, which is due to expire next year, has to be considered on a similar footing. There is a distinct possibility of fostering industrial cooperation between the two sides under the revised CCA.

With the developing countries acquiring increasing competence to produce a wide variety of manufactured products, time apparently has come to foster greater international division of labour. As the most powerful economic entity in the world today, the role of the EEC in this connection is crucial. Can it be hoped that the EEC will rise to the occasion in the interest of an orderly global economic development ? It can play a constructive role in the north-south dialogue which continues to be thwarted, by and large, by the domestic considerations of the developed nations, in spite of the fact that their prosperity depends to no small extent on the growth of the developing nations. The aspirations of the latter are not illegitimate. Due consideration has to be given to them by the more affluent.

Eastern Economist 30 Years Ago

JUNE 25, 1948

The third session of the Economic Commission for Asia and the Far East recently held in India did not at all appear to those who closely watched its proceedings anything like a landmark in the history of Asian economies or even in the short history of the Commision itself. To mention this in retrospect is necessry because before the session there was in some circles a tense expectation of something big—a big Asian reconstruction plan or a generous promise of U.S. aid emerging from the high level discussions at Ootacamund. This expectation was of course based very largely on nothing more substantial than wishful thinking; for, balanced and sober appreciation of facts would have soon dispelled many unwaranted illusions. An internationally constitued body like the ECAFE must inevitably take some time even to pass from the stage of study and preliminary exploration to one of effective action. Besides, the Commission has started with some inherent limitations from which probably its European contemporary is free—and these cannot be conveniently overlooked. The region of Asia and the Far East which it covers has been to many minds more a geographical expression than a definite area awaiting development on an integrated basis. In several countries included in this region, there is a conspicuous absenee of even essential statistics.

Prospects of Indo-Bangla trade

ADDRESSING A press conference in Dacca on June 5, president Ziaur Rahman said that the presidential election had greatly strengthened democracy in Bangladesh and that his country was now capable of absorbing more foreign aid. He observed that Bangladesh could start as many development projects as possible and that the economy could utilise aid even of the order of $2 billion. Foreign aid in various forms has played a crucial role in developing the economy of Bangladesh. Foreign aid disbursements by last June were estimated at $3.56 billion compared with the commitment of $5.23 billion. An international consortium of non-communist countries, sponsored by the World Bank, announced on June 7, that Bangladesh could expect aid totalling $ 1.1 billion in the next financial year. In the coming months, Dacca hopes to utilise its aid more speedily and effectively. With the prospect of political stability, Bangladesh can now look forward to faster progress in many directions but to what extent will it help to promote better relations between Dacca and New Delhi ?

promotion of goodwill

The agreement on the sharing of the Ganga waters at Farakka, signed in November 1977, and the meeting of the Indo-Bangladesh Joint Rivers Commission have contributed much to the promotion of goodwill between the two countries. Besides, as the latest annual report of the ministry of External Affairs says, personal contacts between our prime minister and the Bangladesh president have been "a major factor in removing misunderstanding between the two countries and restoring mutual trust". The report points out that, in the economic field, the total amount of utilisation of government to government credits and grants in the first nine months of 1977-78 was about Rs 1.07 crores. Further, despite the severe shortage of several essential commodities in India, New Delhi agreed to supply them to Bangladesh during the last year. So far as trade is concerned, there has not been much progress in developing it in a systematic manner. In fact, Dacca's major trade partners have been the USA, Canada, the United Kingdom, and other developed countries. In 1975-76, for instance, Bangladesh imported from the USA and Canada goods valued at Taka 4,189 million and Taka 1,426 million, respectively, compared to Taka 1,176 million from India. In the same year, Bangladesh's main markets were the USA, the UK, Italy, Belgium, Soviet Union and Singapore.

free foreign exchange

With effect from January 1975, the trade between India and Bangladesh is being conducted on the basis of free foreign exchange. Our major exports have been coal, engineering goods, iron and steel, chemicals and related products and cotton textiles. The items imported from Bangladesh include raw jute, newsprint, fish and miscellaneous products. During 1978, India has agreed to import from Bangladesh 10,000 tonnes of newsprint, 20,000 tonnes of naphtha, 40,000 tonnes of furnace oil, 15,000 tonnes of molasses and 20 tonnes of chloroquin diphosphate. But to what extent imports of these quantities will actually take place will depend largely on considerations of quality and price. Bangladesh has agreed to import during the current year 3,00,000 tonnes of steam coal and 75,000 tonnes of Assam coal. But as there has been a shortage of coal in India in recent weeks, will it be possible or desirable to export it on the scale envisaged? There is no doubt, however, that both the countries can afford to raise their trade to far higher levels.

Bottlenecks in transport and telecommunications are among the important impediments to the expansion of Indo-Bangladesh trade. At the trade review talks held in New Delhi early in 1978 it was decided that the two countries should examine in what manner the telecommunication arrangements should be further improved. Dacca and New Delhi should give greater attention to the development of transport and telecommunication facilities with a view to strengthening their econom relations. It is equally important narrow the communication gap betwe the businessmen of both countries so th they will have a clear idea of the oppor nities available for developing trade a economic cooperation between them f their mutual advantage. Frequent change of delegations, participation fairs and exhibitions, and regular disse nation of commercial intelligence shou greatly help both the countries to expa their trade The government of West Be gal and the business organisations in t state should take a keen interest in dev loping the trade with Bangladesh whi is a market of about 75 million peop and whose import requirements are bou to increase substantially.

encouraging trend

The trend in industrial production Bangladesh in the last year was mo encouraging than in 1976. The ju paper and paper board, cement, fertiliz steel and food processing industr achieved a higher rate of producti and there was also a better utilisati of capacity in many other industri The rising trend in industrial pr duction and the implementation the programmes relating to the dev lopment of agriculture and infr structure will result in a larger dema for raw materials, capital equipment a consumer goods, many of which Ind can supply.

The present time therefore appears be propitious to bring about closer re tions between India and Bangladesh regard to trade and various forms of col boration. But the progress in this rega will depend largely on Dacca's respon So far, Dacca has not shown much inter and initiative in coming to an agreem with India in adopting a common a proach to jute which is of vital importan to the economy of both the countri Cooperation in certain matters li marketing and research can help to wa off the threat from synthetics to a gr extent. But the jute industries of Ind and Bangladesh continue to compete w each other fiercely in foreign marke oblivious of the gains that could acc to both by evolving a joint program of action.

CAPITAL'S CORRIDORS

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sai's visit to USA • Public distribution • Oil India operations

OFFICIAL circles here have expressed faction over the outcome of the ie minister, Mr Morarji Desai's nt visit to the United States. The rance by the International Relations mmittee of the US House of Repre-atives to Mr Carter's plan to ship tonnes of enriched uranium for the apore power station, which had been cked by a resolution of the House ier, it is felt, has cleared the decks this shipment. The way for this rance had been smoothened during Desai's talks with the US president well as the members of the House Representatives and the Senate. The US ministration seems to have been pressed by Mr Desai's forthrightness out his government's policy towards use of nuclear power.

categorical statement

Mr Desai has categorically stated that dia does not intend to use atomic ergy for any purpose other than peace-l. He has reiterated that the nuclear feguards, which are being demanded om countries like India, are discrimi-atory. The real thrust of a nuclear olocaust, he has asserted, comes from the nchecked vertical proliferation of nu-lear devices which every year increase ie probability of war by accident, if not mbition. India neither has such an mbition nor has left any room for ccidents.

Another important outcome of Mr Desai's talks with the Carter administra-ion, to which a good deal of significance is being attached, is that the US will shortly post in India a senior corporate executive to help promote trade investments and assist in the establishment of joint Indo-American ventures in the third countries.

* * *

The minister of state for Commerce, Mr K.K. Goyal, revealed at a press conference here last week that the government proposed to procure at ex-factory prices some manufactured products for distribution through fair-price shops under a new production-cum-distribution scheme which had been finalised. The items initially envisaged to be so procured and distributed include soap, tea, footwear and blades.

The above items are proposed to be distributed through fair-price shops in addition to edible oils, vanaspati, pulses, cereals, sugar, controlled cloth, soft coke and kerosene.

With a view to containing malpractices by fair-price shops, Mr Goyal disclosed that the government was also thinking of somewhat raising their trading margins. This might result in a small increase in the prices of the items distributed through fair-price shops if the government did not decide to subsidise the increased margins.

The success of the scheme, Mr Goyal admitted, however, depended on its implementation which was to be taken up by the state governments. The state governments, he said, had generally approved the scheme and had suggested only some modifications in the items to be covered by it. They had been advised by the central government to give statutory powers to the vigilance committees proposed to be formed to supervise the scheme, added Mr Goyal.

The minister did not envisage any problem for bridging the gap between the demand and the indigenous availability of edible oils. The State Trading Corporation, he said, had already contracted nearly 700,000 tonnes imports of edible oils, out of which 500,000 tonnes would be supplied to the vanaspati industry. The private trade also had imported already 350,000 tonnes and had contracted for another 133,000 tonnes. This would more than fill the expected gap between the demand and indigenous availability which was assessed at about 950,000 tonnes.

buffer stock

It was also revealed by Mr Goyal that the national co-operative organisations had been asked to build up a buffer stock of pulses by procuring 10 per cent of the market surplus during the current pulses year. This percentage was envisaged to be raised to 20 per cent next year and 30 per cent in the subsequent year. The National Agricultural Marketing Federation (NAFED), he recalled, had contracted imports of 10,000 tonnes of pulses. About 31,000 tonnes had been procured by the NAFED and the consumer cooperatives so far during the current year. A private party was also importing 3,000/3,500 tonnes.

The ultimate solution to the pulses problem, Mr Goyal conceded, however, lay in stepping up production which, around 11.5 million tonnes last year, fell short of the demand by about 3.5 million tonnes. The central minister of Agriculture, he assured, was seized of the problem. (Some of the steps being taken in this regard were reported in this column last week.)

The number of public distribution outlets, Mr Goyal disclosed, was proposed to be increased from the present level of 245,000 to 300,000. The idea was that there should be one fair-price shop for every 2,000 people. Also the distance between one fair-price shop and another should not be more than five kilometres. Mr Goyal felt that there was need for

strong consumer movement in the country.

* *

During the 25th anniversary—silver jubilee—year of the discovery of oil at Nahorkatiya, in upper Assam, which commenced on June 10, Oil India has planned a series of inter-disciplinary discussions and a detailed review of its operations culminating in a seminar on petroleum exploration, production, transportation and gas utilisation some time in September or October. It also hopes to discover oil at Kumchai, in Arunachal Pradesh, where the drilling of the deepest on-shore well in the country is currently in progress. A significant gas horizon is understood to have already been struck during this drilling so far to a depth of about 4,000 metres. High expectations are being entertained about striking oil as this well is to be drilled to an objective depth of 6,100 metres. Oil in small quantities at a much shallower horizon was struck in Arunachal Pradesh in the recently drilled third exploratory well at Kharsang. Earlier, in the second well in this area, very high pressure formations were encountered around the depth of 3,614 metres, indicating the presence of hydro-carbons.

Two other momentous events will take place in the corporate life of Oil India during the silver jubilee year. Understanding has already been reached between the government of India and the Burmah Oil Company—the two equal partners in the venture at present—on the takeover of the company by the former. Oil India will also be venturing this year on its maiden off-shore exploration effort in the Mahanadi basin.

new reserves

Given the requisite luck, the management is confident that it will not be beyond Oil India's capabilities to locate before the turn of the current decade, significant new oil reserves within the limited exploration licensed areas it has in upper Assam, Arunachal Pradesh and in the off-shore/on-shore Mahanadi basin. The company has already produced over 42 million tonnes of oil from its Nahorkatiya and Moran concessions, as against the original estimate of securing in all about 39 million tonnes. The gross ultimate recovery of oil from its these two concessions is now expected to be approximately 80 million tonnes. The current production has been stabilised at three million tonnes per annum to cater for the requirements of the Digboi, Gauhati and Barauni (partly) refineries. The gas supplies from the company are being utilised for the manufacture of fertilizer at the Namrup project and also by the Assam Oil Company, Assam Petrochemicals Limited and tea gardens in the neighbourhood of the oilfields. The present supplies are roughly of the order of 1.985 million standard cubic metres. They are expected to be raised substantially this year. As a result, the production of fertilizer at Namrup should go up with the completion of the phase III expansion programme of this project.

Oil India has also proposed the setting up of a plant to produce 60,000 tonnes of liquefied petroleum gas. It is expected to cost about Rs 15 crores. If adequate financial backing is available, it is considered possible to develop a chemicals complex at Duliajan, the headquarters of the undertaking, as an extension of the processing facilities planned to be established to produce LPG.

pioneering effort

Through its efficient operations, which included pioneering in India the drilling of a large number of deviated wells under a river bed, polymer injection for significantly increasing the recovery of oil, etc., Oil India has been able to contain the cost of production of its sulphur-free, sweet Nahorkatyia oil at as low a level as Rs 133 per tonne, including royalty, cess and transportation over as long a distance as over 1,158 km.

Apart from the impetus that the discovery of oil at Nahorkatyia on June 10, 1953, provided to oil exploration in the country, the significance of Oil India's operations can be gauged from the fact that the 42 million tonnes of oil realised so far have saved for the country foreign exchange of the order of over Rs 1,200 crores. At the current landed cost of imports, this output has been worth over Rs 4,000 crores. Approximately similar reserves are yet to be exploited. By the close of its 1976 accounts, the compa had paid dividends to the government India on its 50 per cent share in t equity capital of the undertaking (Rs crores) as much as Rs 30 crores. similar amount minus the dividend t had been paid to the Burmah Oil Co pany on its 50 per cent share in equit Over Rs 228 crores had been received the government by way of income-ta dividend tax, royalty payments, sales t and contributions to the oil indust development fund. Another sum of Rs 1 crores had accrued to the government cash discounts on the oil supplies to t Gauhati and Barauni refineries under t provision in the charter of the compa of effecting these discounts after t payment of diviednds to a stipulat level.

cash discount

The Burmah Oil Company's subsidiar the Digboi refinery, has also receiv cash discounts but to a small amount the supplies of oil to this refinery ha been only a fraction of the total outp from the Nahorkatiya and Moran fiel which primarily cater for the requir ments of the Gauhati and Barauni refin ries owned by the government throu the Indian Oil Corporation.

The undertaking has a strong R & wing which not only effectively solved the initial stages the problem of tran porting the oil from Nahorkatiya to t Gauhati and Barauni refineries throu the pipeline by setting up a crude cond tioning plant but has also complet recently two consultancy projects reservoir engineering in Kuwait. Exper ments are being conducted under t guidance of this wing to improve t rheological properties of oil by means chemical additives, the lastest one bei the trying out of an additive for increasi the capacity of the oil transportati pipeline connecting the oilfields with t consumer refineries by 10 to 15 per cen Tank vapours recovery projects have al been successfully implemented condense vapours from tanks into condensates. Oil India has recent acquired an advanced digital seism survey equipment to augment its explor tory efforts

ural households : what attracts their capital?

S. P. Chopra

number of interesting inferences emerge from this analysis of the ndings of a recent Reserve Bank survey. For instance, as much s 96 per cent of the capital expenditure on farm business is ontributed by the cultivator-households themselves. Farm business aturally claimed the largest share of the capital expenditure of rural ouseholds; however, it showed a declining trend over the years as portion of the total capital expenditure, with durable household ssets improving their share.

POVERTY in the rural areas of our ntry has been a recurring topic of dis- ssion and discourse in recent years. ious estimates have been put forward official and non-official research agen- regarding the magnitude as well as extent of poverty prevalent in different tions of the rural society. Even then, s well-known that more than half of national income of our country is nerated through economic activities in ral households and there are numerous ch rural households as are able to save d invest in capital goods. The Reserve nk of India has tried, in cooperation th the National Sample Survey Organi- tion of the government of India and e state statistical bureaux, to estimate e levels of capital expenditure and pital formation in rural areas through ata thrown up by the All India Debt nd Investment Survey (AIDIS) conduct- d in 1971-72 and has compared the find- gs with those of the All-India Rural Debt and Investment Survey (AIRDIS) of 961-62.*

The exercise under reference is a stu- endous one though it admittedly suffers rom a number of limitations. First, the data on capital expenditure were in no way related to the magnitude of working funds in the hands of the rural house- holds since this information was not sought under the survey. Consequently, it is not possible to relate the agricul- tural prosperity gained under the green revolution with increased consumption and capital expenditure. Second, the data relate to a full year and are provided by largely illiterate persons relying on memory. Third, there are sampling as well as non-sampling errors whose cumu- lative impact on the quality of the data is unknown. However, the data regarding the structure of capital expenditure by both cultivators and non-cultivators in 1971-72 and the variations in expenditure over the decade 1961-62—1971-72 do point to certain changes in rural society which have been brought about by the new impulses generated by the development schemes of the government. Surely, the expenditure on capital assets either in the form of a new purchase or improvement to the existing asset would broaden the capital base, thus leading to increasing productivity which in turn would raise income as well as capacity to borrow. What is more, data regarding capital expenditure point to the degree of monetisation in the rural economy. Therefore, despite the limitations listed above, the study of capital expenditure has certain rewards.

Table I summarises the results of the 1971-72 survey. It shows that the non-cultivator households in rural areas are very much poorer than the cultivator households as their capacity to save and invest in capital goods is a small proportion of similar effort by cultivator households. The total capital expenditure estimated in 1971-72 of the order of Rs 1,993 crores by all rural households consisted of the share of the cultivators at Rs 1,832 crores while the share of the non-cultivator households was a paltry Rs 161 crores. In every category of capital expenditure, the share of the non-cultivator households was a small proportion of the cultivator households. The cultivator households had a marked preference for farm business followed by residential plots, durable houshold assets and non-farm business while the first preference of the non-cultivator households was for residential plots followed by farm business, durable household assets and non-farm-business.

Punjab, the leader

A state-wise comparison showed that Punjab was a leader in terms of capital expenditure per household on the average; at Rs 942 per household, it was more than three times the all-India average at Rs 258. Orissa was at the bottom of the list with only Rs 160 of capital expenditure per rural household. The states which had a good record in this regard, besides Punjab, were Rajasthan, Haryana and Himachal Pradesh.

It may be recalled that the Reserve Bank surveys of the rural households started in 1951-52 primarily to estimate the extent of indebtedness of rural households. Therefore, the data in regard to borrowings as a proportion of total capital expenditure was analysed and it was found that borrowing was the highest at five per cent in respect of farm business, one per cent in respect of non-farm business and negligible for other activities.

In the year ended June 30, 1972, all the rural households were estimated to have spent a sum of Rs 1,210 crores as capital expenditure in farm business out of which the contribution of the cultivators was 96 per cent while only four per

POINT OF VIEW

*'Capital Expenditure and Capital Formation of Rural Households, 1971-72', published by the Reserve Bank of India, Bombay.

cent was contributed by the non-cultivator household. As indicated in Table I, expenditure in farm business as a proportion of the total capital expenditure was as high as 60.7 per cent. Thus, farm business claimed the highest proportion of capital expenditure (followed by residential plots) pointing to the age-old love of the rural folk for land. In the states of Punjab and Haryana, the proportion of rural households reporting expenditure in farm business was higher than in all the other states. However, the states of Uttar Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Gujarat, Tamil Nadu and Rajasthan—all eight of them together—accounted for about 75 per cent of the total capital expenditure in farm business; incidentally they have about 69 per cent of the total gross cropped area in the country. The cultivator households spent bulk of their capital on livestock, agricultural implements, land purchase, buildings, wells, orchards and plantations. For the non-cultivators, the most important three items were livestock, land purchase and agricultural implements; all three of them accounted for nearly 88 per cent of the total capital expenditure per household.

The non-farm business expenditure consisted of land and buildings, production equipment and accessories, transport equipment, furniture and fixtures and other capital expenditure. Only six per cent of the cultivator households spent money on non-farm business and the average expenditure per household was Rs 16.8. This was, however, better than the performance of the non-cultivators' expenditure on non-farm business who have greater stake in non-farm business but their average expenditure per household was not more than Rs 11. This again points to the relative poverty of the non-cultivator households in rural areas.

After farm and non-farm business, the two important categories which claimed capital expenditure were (i) residential plots and houses and (ii) durable household assets. They together claimed 33.4 per cent of the total capital expenditure. However, the share of the cultivator households was a dominating one. They claimed 87 per cent of the total expenditure on residential plots and 84 per cent of the total expenditure on durable household assets. In rural households taken together inequality of a high order was discernible. In the case of residential plots, the top nine per cent of the rural households accounted for 33 per cent of the aggregate expenditure. For durable household assets, th top 15 per cent accounted for 44 per cen of the expenditure. The group-wise dis tribution pointed to the fact that ave rages in these cases tended to paper ove the extreme destitution in certain cate gories of households which were at th bottom of the group.

A comparison of the capital expendi ture of rural households in 1961-62 an 1971-72 (Table II) yields certain interest ing conclusions. First, the total capita expenditure by rural households in mone terms went up by about 80 per cent fro Rs 1,102 crores in 1961-62 to Rs 1,99 crores in 1971-72. No attempt has bee made to deflate the 1971-72 data of capi tal expenditure so as to make it compar able with the 1961-62 data because of th obvious difficulties involved but the resul point to a healthy development, namely the emergence of increased resource which came in the possession of rura households over the decade and whic markedly increased capital expenditur and reduced reliance on borrowing as source of capital expenditure.

As shown in Table II, the share o expenditure in farm business decline from 66.2 per cent to 60.7 per cent whil the share of durable household asset rose from 4.3 per cent in 1961-62 to 8.

TABLE I

Capital Expenditure Components

Item	All rural households			Cultivators			Non-cultivators		
	A	B	C	A	B	C	A	B	C
Farm business	37.9	156.9	1210(60·7)	48.6	205 6	1165(63.6)	8.4	21·9	45(28
Non-farm business	6.5	15.3	118(5.9)	6·0	16.8	95(5.2)	7.8	11.3	23(14.
Residential plots, houses, etc.	30.7	65.4	504(25.3)	34.0	77.1	437(23.8)	21.5	32.8	67(41.
Durable household assets	17·7	20.9	161(8.1)	18.7	23·8	135(7.4)	15.1	12 8	26(16·
Total	58·3	258·4	1993(100.0)	65.1	323·3	1832(100.0)	39.3	78.7	161(100.

A = Proportion of households reporting (per cent)

B = Average per household (Rs)

C = Aggregate (Rs in crores)

Note : Figures in parentheses relate to percentage shares to total expenditure.

ent in 1971-72. There was a small ase from 4.1 per cent in 1961-62 to er cent in 1971-72 in the case of arm business expenditure though proportion of expenditure on resi- al plots remained unchanged at a above 25 per cent. The shift in ex- iture from farm business to non- business and durable household s may be explained by the increased perity which followed in the wake of green revolution. Also it needs to be sed that even though the proportion apital expenditure on farm business ined over the decade, the total capi- expenditure in money terms on farm ness increased by as much as 66 per . During this decade, agricultural duction in the country also rose by ut 27 per cent.

The average expenditure per house- d in farm business increased from 106 to Rs 157 over the decade even ugh the proportion of all households orting capital expenditure on farm iness fell from 52 per cent to 38 per t. The conclusion is obvious that the her average expenditure was primarily e to the increased costs involved while proportion of households which took vantage of the facilities provided by government had fallen. Among the ltivator households reporting capital penditure on farm business, the propor- n decreased from 67 per cent in 1961- to 49 per cent in 1971-72. Also the oportion of households which borrowed r capital expenditure in agriculture also dropped. Almost all the states reported a declining proportion of households reporting expenditure in farm business with the exception of Rajasthan and Jammu and Kashmir. The increased capital expenditure was mainly on the purchase of land, improvement of land, agricultural implements, wells etc.

Regarding non-farm business, the outstanding finding was that the proportion of households reporting expenditure remained unchanged around six per cent over the decade. However, the average expenditure per household more than doubled from Rs 6.6 in 1961-62 to Rs 15.3 in 1971-72. The items which claimed increased expenditure were land, buildings, transport equipment and accessories.

The proportion of households reporting expenditure on residential plots dropped from 46.1 per cent in 1961-62 to 30.7 per cent in 1971-72 while the average expenditure per household increased from Rs 40.7 in 1961-62 to Rs 65.4 in 1971-72. Understandably, the performance of the cultivator households was better than that of the non-cultivator households.

It was in durable household assets that the cultivator as well as non-cultivator householders showed keen interest. Not only did the proportion of households reporting in each category increase significantly, their capital expenditure in money terms multiplied manifold. For instance, in the case of cultivator households, the proportion reporting increased from 11.6 per cent in 1961-62 to 18.7 per cent in 1971-72 and the average household expenditure rose from Rs 8.1 to Rs 23.8. Similarly in the case of non-cultivator households, the proportion of reporting households rose from 7.8 per cent in 1961-62 to 15.1 per cent in 1971-72 while the average per household expenditure rose from Rs 3.6 to Rs 12.8. And what is more, borrowings for the acquisition of durable household assets were negligible.

TABLE II

Capital Expenditure—All Activities (Rural Households)

	1961-62		1971-72	
	Aggregate (Rs in crores)	Percentage to total	Aggregate (Rs in crores)	Percentage to total
Farm business	730	66.2	1210	60.7
Non-farm business	45	4.1	118	5.9
Residential plots, etc.	280	25.4	504	25.3
Durable household assets	47	4.3	161	8.1
Total	1102	100.0	1993	100.0

TABLE III

Capital Formation

	1961-62		1971-72	
	B	C	B	C
All rural households	50.8	349	93.5	721
Cultivators	64.1	323	117.5	666
Non-cultivators	14.2	26	26.8	55

B=Average per household (Rs)
C=Aggregate (Rs in crores)

The study under reference has also compared the capital formation of rural households in 1961-62 and 1971-72. It has defined capital formation as "capital expenditure excluding the expenditure on repairs, replacement of plant, machinery, repairs and annual planting of orchards and plantations and repairs in the case of other items." No allowance has been made for depreciation or sale and loss of assets. Table III summarises the findings. It shows that capital formation increased by about 107 per cent in the decade 1961-62—1971-72 from Rs 349 crores to Rs 721 crores. Once again, the credit for this belonged to the cultivator-households only. Also, nearly two-thirds of the capital formation in 1971-72 was accounted for by six states, namely, Gujarat, Punjab, Madhya Pradesh, Karnataka, Maharashtra and Tamil Nadu. Thus, the development schemes which fructified in the rural areas in the decade 1961-62—1971-72 tended to accentuate the economic disparities among the different states of the country.

India can sue as "person" under US anti-trust law

S. K. Rai

The judgment of the US Supreme Court discussed here is of great importance to foreign nations in international trade. It deals with matters which touch the fields of statutory interpretation, monopolies legislation, private international law and, more fundamentally, the nature of the judicial process. Mr. S.K. Rai, who is Joint Secretary and Legal Adviser, ministry of Law, Justice and Company Affairs, was deputed in this case to brief the counsel.

WE IN the legal world occasionally come across certain judicial pronouncements which, while dealing with apparently narrow questions of statutory interpretation, also discuss certain other aspects which have a broader and far-reaching importance. One such judicial pronouncement by the Supreme Court of the United States of America laid down that a foreign nation otherwise entitled to sue in the courts of United States is a "person" within the meaning of the Clayton Act, and is thus entitled to sue for damages under the federal anti-trust laws of the United States to the same extent as any other plaintiff.

It was on January 11, 1978 that the US Supreme Court decided Appeal No. 76-749 Pfizer Inc. et all V. government of India by a majority vote of five to three, affirming a lower court ruling upholding the right of India to sue in US court certain drug companies under the anti-trust laws. The suit was for triple damages under the anti-trust laws.

offence of overcharging

The drug companies in this case were accused of overcharging by price fixing of broad spectrum antibiotics. The other companies were American Cynamid, Squibb, Bristel Myers, Upjohn Co. and Olin Corporation. India and certain other nations, claiming that as the purchasers of antibiotics (tetracycline) they had been damaged in business and in property, filed suits in the Federal District Court of Minnesota for triple damages under section 4 of the Clayton Act. The district court granted the relief prayed for. The court of appeals for the eighth circuit affirmed the judgement of the district court. The Supreme Court of the USA granted certiorari, as a novel and important question of anti-trust laws was involved. The respondents in the appeal before the Supreme Court were the government of India, the Imperial government of Iran and the Republic of the Philippines.

definition of 'person'

An objection was raised as to the maintainability of the suit on the ground that a foreign nation could not, under the anti-trust laws, as in force in the USA, institute such proceedings. The maintainability of the suit depended principally on the question whether a foreign nation was a "person" within the meaning of the Clayton Act, section 4. Section 1 of the Clayton Act, defining "person" in the relevant part, reads:

> "The word 'person' or 'persons' wherever used in this Act shall be deemed to include Corporations and associations existing under or authorised by the laws of either the United States, the laws of any of the territories, the laws of any state or the laws of any foreign country."

Section 4 of the Clayton Act, providing for the remedy of triple damages, reads:-

> "Any person who shall be injured in his business or property by reason of anything forbidden in the anti-trust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover three-fold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

As the court of appeals observed, the case "turns on the interpretation of the statute".

legal issue

The legal issue before the Supreme Court of the USA was whether foreign governments were covered by the anti-trust laws as "any person" injured "by reason of anything forbidden in the anti-trust laws" and whether, on that basis they could sue to recover treble damages. In this connection, it may be interesting to recall that earlier in 1941 it had been held that the US government could not sue for triple damages, though individual states could do so. In 1955, the law was amended to allow the US government to sue for single damages, but not for triple damages.

The majority held that a foreign government could claim the benefit of the anti-trust law as a "person" injured by reason of the conduct in question which was forbidden in the anti-trust laws. The minority took a different view. The reasoning on which each view was based bears examination.

The majority judges, who upheld the contentions of the foreign government, based their decision on an expensive remedial purpose of the law preferring that to a technical or semantic approach. It would not, perhaps, be impolite to say that the political actions of some countries were also considered by the minority as relevant. However, these considerations do not apply to India, since India did not indulge in such activities and already had a somewhat similar law in the Monopolies and Restrictive Trade Practices Act.

The majority observed that the anti-trust law protects all persons who are victims of forbidden practices, and the

expression "person" in this context a broad and inclusive meaning. Justic Stewart (who delivered the ority judgement), relied upon certain rvations of Senators Sherman and onds which had been made on the of the House at the time when the was under consideration. (21 Cong-ional Record 2569, 3148).

he use of the words "foreign corpora-" and "association existing under or norised by terms of foreign countries" he definition of "person" both in the rman Act and the Clayton Act, and fact that anti-trust laws extended to eign trade with other countries, were ed upon by the majority judges for ferring the interpretation that the ention of the legislature was to give the efit of anti-trust laws to foreign vernment also.

The court rightly observed that to ny the foreign plaintiff the right to sue uld defeat the dual function of the ti-trust laws, namely, (a) to deter viola-rs and deprive them of "the fruits of ir illegality" and (b) "to compensate ctims of anti-trust violations for their juries". Such a denial would rather rmit a price fixer or monopolist to cape full liability for the illegal act of hich he had been guilty in the USA d would deny compensation to some of s victims who happen to be foreign stomers.

deterrent effect

Further, as the court rightly observed, uch an exclusion would lessen the deter-nt effect of treble damages because ose doing business both in the USA and broad would be tempted to enter into nti-competitive conspiracies affecting merican customers, in the expectation at the illegal profits which they would afely extort abroad would offset any ability that they might incur to American laintiffs. Increased and preferential xports may also create scarcity at home, nd consequent high prices. The minority iew would also create a disparity bet-veen two sales by the same violator within the country, i.e. one sale to the ocal consumers and the other sale to the foreign government where property passes within the USA. It would be anomalous that for the former sale both the Public Action penalty and the Private Action penalty could be pursued, while this would not be permissible for the sale to the foreign government even though the sale took place in the USA.

Again if the foreign purchaser happens to be a government corporation established under the foreign law and fully owned by the foreign government, then, for an injury caused to it by the violation of the law, a remedy would be available, but not where the foreign government be the victim. This would be anomalous. The minority view had overlooked the fact that it was the effect of the law, and not the personality of the sufferer, that was material. Certainly, the intention of the legislature could not be to legalise the violation of law merely because the sufferer is a foreign government, nor could the law take into consideration the fact that some foreign governments are creating a monopoly or boycott in their own country, or that they do not have anti-trust laws in their country.

the anomaly

The minority view had strongly relied on the fact that an anomaly resulted from the judgement in USA v Cooper (312 US 600) since in that case the US government had been held not to be a "person" for triple damages. The majority judgement, however, explained the said decision by stating that the decision had been rendered on an analysis of the language of the enactment, in the light not only of the policy underlying the enactment, but also of other available aids, and after taking due note of the fact that public action remedies were available to the United States, such as, criminal prosecution, injunction and seizure of the property. The majority relied upon its own judgement in Georgia v. Evans (316 US 152) where while reversing the judgement of the lower court, it had observed that US v. Cooper did not hold that the word "person", abstractly considered, could not include a governmental body.

The reasoning of Georgia v. Evans would equally apply to the present case, "We can perceive no reason for believing that Congress wanted to deprive a foreign nation, as a purchaser of commodities shipped in international commerce, of the civil remedy of treble damages which is available to other purchasers. . . Nothing in the Act, its history, or its policy, could justify so restrictive a construction of the word 'person' in section 7 . . . Such a construction would deny all redress to a foreign nation when mulcted by a violator of the Sherman Law, merely because it is a foreign nation." Commenting on the jurisdiction of federal courts, the majority judgement observed that this court had recognised the right of the foreign nations to prosecute any civil claim in the courts of United States like a domestic corporation or individual; to deny them this privilege would manifest a want of comity or friendly feeling.

piquant situation

It does not stand to reason that the right of suit be denied to a foreign government in anti trust violation, when such a right is not denied in other claims for damages. It would also be a piquant situation that for violations of anti-trust laws, where the victim is a foreign nation the offender will be punishable with fine and punishment, but the victim cannot seek a civil remedy for the violation of its civil right. The implication underlying this reasoning was that in general, a criminal remedy would be more stringent than a civil remedy. One could conceive of cases where a wrong could be redressed by a civil remedy but not by a criminal penalty. But one cannot so easily conceive of cases where a criminal remedy is available but a civil remedy is denied.

Chief Justice Berger, in his dissenting judgment, criticised the conclusion recorded in majority judgment as extraordinary and undisguised exercise of legislative power. He observed that the conclusion holding foreign nations, as 'persons' under section 4 of the Clayton Act was paradoxical, when it was conceded that the said question had not been examined when the Sherman and Clayton Acts were enacted. It was observed that it would be an anomaly that while the US government could not sue for triple damages, other nations were free to engage in the most flagrant kind of combinations for price fixing in their own countries, and yet were given a right to

e the American supplier in American urts for triple damages plus attorney's es. Berger C.J. had in mind the boy- tt and other anti-competition practices ndertaken presumably, by some middle stern countries in regard to oil.

The reasoning of chief justice was that ne very fact that foreign nations were not xpressly included within the definition f 'person' despite explicit reference in he same definition to corporations and ssociations existing under the law of any oreign country ought to be dispositive nder the established doctrine of inter- pretation of statutes. With respect, how- ever, this argument misses the point that the definition is only an inclusive defini- tion. Moreover, governments are not in the nature of corporations or associations to be established by the laws of the coun- try and it would not have been appro- priate to mention them in the same breath as corporations so established. Again, the section speaks of corporations authorised by laws of not only foreign countries but also of United States in the United States of America. If we extend the interpreta- tion placed by the chief justice to its logical end, then it would also deprive the United States as well as its constituent states of the right to sue.

a point overlooked

The observation of the chief justice that the definition most likely reflects the diffe- rential susceptibility to suit rather than any intent to benefit foreign consumers or to enlist their help in enforcing anti-trust laws, overlooks the point that the immunity of foreign sovereigns merely debars a pla- intiff from suing in a domestic court, it does not have the effect of nullifying the breach of the law or the consequent liability. It has been held in 1930—1 K.B. 376 Dickinson v. Delstar that diplomatic privilege does not impart immunity from legal liability but only exempts from local jurisdiction. If the view of the chief justice is correct, then it would debar the foreign nations from suing for civil damages under any other law also, for wrongs done to them.

Justice Powell, in his dissent, observed that no one argued seriously that it was the intention of the Congress to include foreign governments under 'person' in section 4 of the Clayton Act, but, "despite this conclusion as to the absence of any congressional consideration, the inviting possibility of treble damages today is extended by judicial action to the so- vereign nations of the world. With minor exceptions, the United States recognizes the governments of all these nations. We may assume that most of them have no equivalent of our anti-trust laws and would be unlikely to afford reciprocal opportunities to the United States to sue and recover damages in their courts."

general policy

Justice Powell felt that it was accepted doctrine that questions of 'general policy' —especially with respect to foreign sover- eigns and absent express legislative autho- rity—are beyond the province of judicial branch. He concluded by saying, "A court without the benefit of legislative hearings that would illuminate the policy considera- tions if the question were left to the Congress, is not competent in my opinion, to resolve this question in the best interest of our country. It is regrettable that the court today finds it necessary to rush to this essentially legislative judg- ment."

Reference may be made to certain legislative developments subsequent to the judgment of the Supreme Court. The first is Senator Allen's proposed amend- ment No 1669 to Senator Kennedy's Illinois Brick Bill, S. 1874. It was intro- duced on March 19, 1978 and was design- ed to overturn the decision of the Supreme Court of the United States in Pfizer v. Government of India.

In early April 1978, the House Mono- polies Sub-Committee also voted and approved a Bill HR 11942 moved by congressman Rodino and others which would reverse the Supreme Court decision in the Illinois Brick case and which would permit indirect purchasers and consumers also to sue. The Sub-committee also voted (4 to 3) to adopt an amendment moved by Representative Charles Wiggins (R. California), which would overturn the Supreme Court's decision on the 'person' issue, by barring anti-trust suits by foreign governments. The amendmen reads as follows:—

> "Provided, however, that this sectio shall not authorise suits by a foreig sovereign government, a departmen or agency thereof."

Reference must in this context be mad to the philosophy which underlies th recently enacted Foreign Sovereig Immunities Act of 1976. This law codifie the basic principle that a foreign countr which enters the commercial market plac is to be treated as any other commercia party. A foreign sovereign can thus b sued when it undertakes a commercia activity having an impact in the Unite States. It would be unfair to deny foreign state the right to sue when it i injured in its commercial activity, whil subjecting that state to suit as a defenda when it undertakes a commercial activit that causes an injurious impact.

It would be seen that the minorit judges have sought support in certai considerations of policy, such as, th non-existence of similar laws in othe countries, the indulgence by some cou tries in anti-competitive practices an boycott and other similar considerations Perhaps, those considerations are n very material for a decision of the co troversy.

meeting the situation

Recently, some more private bills hav been moved to meet the situation create by the judgment. The latest bill (as pe Congressional record) is the one move by Senator Inouye (D. Hawai). The bi moved by him seeks to reserve the sub tance of the decision of the Suprem Court; however, it insists on reciprocit inasmuch as it postulates that before right of action under section 4 of th Clayton Act is available to a foreig country, the law of that country must als afford a corresponding right to the USA Senator Inouye pointed out the anoma arising from the fact that the right of th US government is restricted to sing actual damages plus cost of suit and th US government cannot sue for treb damages, but the other nations are fr to engage in the most flagrant kinds combinations for price fixing which a totally at odds with American anti-tru

pts. In order to achieve equal access relief to the US government, its and nationals in foreign courts, the ntroduced by him sought to add at nd of section 4 of the Clayton Act, ollowing sentence:—

"A foreign sovereign Government including any agency or agent thereof, may sue for injury pursuant to this section if United States persons and the United States Government are permitted equivalent access and relief for the same injury in the courts of such foreign sovereign governments." Perhaps better course would be to give equal remedy to US Government also.

he ratio decidendi in Pfizer is—:

.....a foreign national otherwise tled to sue in our courts is entitled to for treble damages under the anti-st laws to the same extent as any other intiff. Neither the fact that they are ereign is reason to deny them the nedy of treble damages Congress orded to "any person" victimized by lations of the anti-trust laws."

the general rule

This ratio decidendi is in conformity th the general rule that a foreign vereign is entitled to prosecute any tion in the courts of the United States on the same basis as a domestic cor-ration or an individual. This principle s been adhered to since the inception the USA and rests on basic concepts of mity between nations. Indeed, provision r access is made in the constitution and supported by a line of cases decided th before and after the passage of the herman and Clayton Acts. In the aphire, the court declared: "[a] foreign overeign, as well as any other foreign erson....may prosecute (its civil cause f action) in our Courts." The United tates also has availed itself of concom-itant rights in the courts of other coun-ries. Only in the most extreme cases have overeigns been denied access to the ourts of the United States.

The Supreme Court has noted:—

> "We are constrained to consider any relationship short of war, with a recognised sovereign power as embracing the privilege or resorting to United States Courts."

Where a government is suing for the prosecution of a private and proprietry right as opposed to a public or governmental right, it is in the same position as any other natural or juristic person with the same rights and subject to the same defences. Since the passage of the Clayton Act, the Supreme Court has reaffirmed that foreign sovereign plaintiffs in their private corporate capacity are to be regarded no differently than other persons.

Thus, a foreign sovereign plaintiff should, so far as the thing can be done, be put in the same position as a body corporate. In India section 84 of the Code of Civil Procedure permits a suit by a foreign state in our courts.

The barring of anti-trust remedy to foreign nations may affect international faith in the stability of American prices and consequently their export trade. An apprehension may next arise whether the door will be shut against remedies available to foreign nations under other laws of the US also. Let us watch and see whether the US Congress, which is known for its respect for democratic principles, will accept a step which might have such repercussions and may turn out to be a retrograde step prejudicially affecting not only the export trade, but also international faith in American market and prices.

Apart from aspects of immediate interest to those concerned with questions of international trade, the judgment of the Supreme Court of the USA, as was pointed out at the outset in this article, has dealt with matters which touch the fields of statutory interpretation, monopolies legislation and private international law, and—more fundamentally—the nature of the judicial process. To some extent the judgment is unique, as the court has called upon to consider, in the context of a very technical matter arising out of monopolies legislation which itself is a highly technical subject, issues with deep significance and juristic appeal.

The commonly accepted view that the direction of legal change is determined only by the legislature, has been challenged more than once. The law making role of the courts has, however, never been eclipsed. Statute law frequently calls for decisions that are "no longer in the bi-polar mould of A suing B for damages, for divorce, and disseisin", but, which on the contrary, tend to involve "vast webs of interrelated interests" and in which "huge social and political stakes are often implicated" (See Maurice Rosenberg "Anything Legislature can do, Court can do it better" (May 1976) American Bar Association Journal.)

The judgment now under discussion furnishes an example of "vast webs of inter-related interests".

Malaria hits back...

In the course of his report on The State of the World Environment 1978, the executive director of the United Nations Environment Programme, Dr Mostafa Kamal Tobba, focuses attention on the menace of malaria, one of the most widespread environmental diseases in the world, killing a million children every year and striking at a quarter of all the adults in Africa. His analysis, reproduced here, suggests that new ecologically sound strategies to combat malaria should be developed to replace present reliance on synthetic chemicals. This is because the malaria parasite has developed resistance to the major anti-malaria drugs, while strains of mosquitoes resistant to known insecticides are spreading rapidly. In a following article, the fortunes of India's anti-malaria campaign are described by Mr. S.K. Pande of the Press Institute of India's feature service DEPTHnews India.

...after almost being wiped off

MALARIA is a disease caused by infection with parasites of the genus *Plasmodium*, transmitted by the bite of infected anopheline mosquitoes, and characterized clinically by recurrent paroxysms of chills, fever and sweating. In man, malaria is produced by four specific parasites which are not infectious for the lower animals: *Plasmodium vivax*, *P. malariae*, *P. falciparum*, and *P. ovale*. Malaria, a major threat to health and development, is primarily an environmental and socio-economic problem. It therefore demands environmental and socio-economic solutions, and past reliance on narrower strategies is increasingly seen as the reason for the resurgence of this debilitating disease.

A world survey of the malaria situation in 1955—the year WHO launched its global malaria eradication strategy—showed that out of a world population of 2.65 billion, 1.07 billion were living in malarious areas. The number of malaria cases in 1955 was estimated to be between 200 and 225 million, and annual deaths due to malaria were then estimated at two million.[1]

After the discovery in 1898 of the life cycle of the malaria parasite and the critical role of mosquitoes as carriers of the disease, the primary strategy to control malaria was to drain or adjust the level of stagnant pools and swamps where the mosquito larvae bred, and to use quinine and other therapeutic drugs to treat the disease. This approach had considerable success. Where DDT was first used successfully to combat malaria in 1943, optimistic proposals for a complete eradication of malaria were voiced.[2] DDT and the other new pesticides had dramatic killing powers, were extremely persistent, and were inexpensive and convenient to use. The eradication strategy also involved the use of chloroquin and related drugs to kill the malaria parasites in man—quinine had only ameliorated the symptoms.

Without the unusual properties of these two groups of chemicals, the insecticides and the drugs, the WHO eradication strategy could not have been conceived, nor could it have achieved so much over so many years. But the very same chemical properties which made DDT and chloroquin so successful against malaria are at the root of the present worldwide resurgence of the disease. Strains of malaria parasites which are resistant to known drugs have already evolved and are now spreading rapidly; more and more populations of mosquitoes are becoming resistant to DDT and other insecticides and these same insecticides have contaminated the human environment. The resurgence of malaria has been most dramatic in India, where the number of reported cases has increased from an all time low of 40,000 in 1966 to 1,430,000 in 1972 and about six million in 1976. Sri Lanka, Pakistan and African countries south of the Sahara have also reported considerable rises in the disease. In central America malaria cases rose in Honduras from 7,500 in 1974 to 48,000 in 1976; El Salvador reported an increase from 66,690 cases in 1974 to 84,000 in 1976; significant numbers of new cases have also been reported in Nicaragua and Guatemala.[3]

The first mosquito to develop resistance to DDT was *Anopheles sacharovi* in Greece in 1951; the following year, the same species was also found to be resistant to Dieldrin[4]. Today, *Anopheles sacharovi* in Turkey is resistant to four pesticide groups. By 1969, 15 species of mosquito had developed DDT resistance. The build-up of resistance to Dieldrin was even faster: 37 species in the same year. By 1976, a total of 43 species was known to be resistant to Dieldrin. Of these, 24 were also resistant to DDT, six to organophosphates and two to carbamates.[5] There is good evidence that resistance to DDT and other insecticides has often occurred not as a result of using insecticides against mosquitoes, but of spraying agricultural crops. For example

WINDOW ON THE WORLD

stance has often arisen in cotton-wing areas, where massive aerial aying of DDT is a common practice.

Another factor hindering the malaria dication strategy is the development the malaria parasite of resistance to oroquin and related drugs (4-amino-nolines). Today, more than a dozen ntries have reported chloroquin resis-ce. So far intense chloroquin resistance the malaria parasite, and intense ecticide resistance in the mosquitoes ich carry it to man, have not occurred gether. Present trends make it very kely that this situation will occur some ne in the future, which could lead to an tbreak of disease that could not be adily controlled by chemical methods.[6]

undesirable effects

The extensive use of insecticides has so resulted in a number of undesirable fects in the human environment. The rogressive contamination of virtually all lobal ecosystems with DDT and other hlorinated hydrocarbons is now well nown, with traces present in rainfall and nd soil, and in organisms ranging from ongbirds to oceanic fish, from desert azelle to Antarctic penguins. In many pecies, these residues appear to do no arm; in others—notably birds of prey—DDT has caused widespread population rashes and even local extinction. The nobserved or unexpected side effects of ersistent pesticides can have direct con-equences on public health as well as on vildlife.

Although the wider environmental effects of DDT have been largely due to agricultural rather than public health use of insecticides, indoor spraying of DDT has resulted in undesirable effects. Domes-tic livestock can become contaminated: in Guatemala the yolks of chicken eggs were found to have about 30 parts per million of DDT, most, if not all, of which was being picked up inside sprayed houses[7]. In 1970, in rural areas of Guate-mala where DDT spraying for malaria control had been carried on for some 15 years, total DDT in human mothers' milk was found to be from 0.3 to 12.2 ppm.[8] These figures suggest that Guatemala infants were drinking from the breast at least 15 and perhaps nearly 500 times more than the "acceptable daily intake" of DDT established by the World Health Organization.[9] Iranian samples of human milk, obtained from areas sprayed by malaria eradication teams, show DDT concentrations of 0.4 to 2.5 ppm, which is 8 to 50 times higher than the permitted level in cow's milk sold in the United States[10]. High levels of DDT in mothers' milk have also been reported from Papua New Guinea and Ghana[10].

The effect of such high human exposure to DDT and other insecticides are not easy to assess. Recent evaluation of the risks to the general public suggests that excessive levels of DDT and other chlorinated hydrocarbons do affect the functions of the liver, could affect cholesterol levels, and might impair the normal development and functioning of the nervous system. Animal studies suggest that such high milk levels as were found in Iran and Guatemala might be harmful to the normal growth and development of babies. It is known that DDT and other insecticides are generally more harmful to animals suffering from protein deficiency,[10] so it seems that the peoples of the developing world may be both more exposed to and more susceptible to damage from DDT.

alternative approaches

These difficulties facing the malaria control programmes have accelerated the efforts to look for alternative approaches. Since malaria has social and ecological causes and consequences, more attention is being given to integrated, environmentally sound methods of control, with less dependence on insecticides. In 1975, UNEP and WHO jointly held a meeting at Lima, Peru, which discussed a variety of these approaches.

One approach to ecologically sound control is known as "habitat management", which involves the modifications of the aquatic habitats where mosquitoes breed. Swamps and stagnant waters can be drained and their salinity can be altered; exposure to or protection from the sun can be altered. Such steps can make the habitat unsuitable for development of mosquito larvae. A particular advantage of this approach is its suitability for self-help and popular participation. In Malaysia, as early as 1901, simple drainage considerably reduced the number of deaths from malaria in two towns,[11] and many of the drainage systems built between 1920 and 1940 in Malaysia, Mauritius, India and the Philippines are still operating. In Italy, malaria-carrying-mosquitoes have been controlled by the combined drainage of marshes and use of DDT. In Mexico, where rice is planted in trenches, one species of mosquito was almost totally eliminated by making water flow down the trenches and wash away the larvae. In Portugal, another mosquito was reduced by 80 per cent by intermittent instead of permanent irrigation.[12]

Larval suppression

Another approach to controlling malaria is biological; using other organisms to limit mosquito numbers. At least 265 species of fish, for example, have at various times been tried in more than 40 countries.[13] Larvivorous fish feed on mosquito larvae, and this suppresses the mosquito production and reduces mosquito density. The extent of larval suppression and adult mosquito density reduction depends on the species of fish, species of mosquito to be controlled, and the ecological conditions of the habitat. It also depends on how effectively an adequate population of fish is maintained during the period of mosquito prevalence. Only one fish species, *Gambusia affinis*, has been notably successful. The advantages of using *Gambusia* include its small size, prolific breeding, and wide tolerance of temperature and salinity.

During the 1920s, several successful results were obtained from the introduction of the fish. In the United States, a reduction of 50 per cent in the anopheline larval density after the introduction of *Gambusia* in ponds and swamps was reported in 1925. More recently, several other countries, for example Italy and Iran, have reported similar successful results. However, there is a need for systematic evaluation of various aspects of this method of control, and for scientific evaluation of the results under different ecological conditions and the resultant impact on malaria. Another variety of biological control involves the use of microbes and other parasitic disease

ents to attack malaria-carrying mositoes. Several of these organisms are rrently being investigated to evaluate eir efficiency, feasibility and safety to mans and to the environment.[14,15]

Numerous theoretical approaches to e use of genetic mechanisms for insect ontrol have been proposed; however, xcept for the sterile insect method, esearch on development of these mechaisms for practical insect control has een limited to the selection and characrization of strains and the determinaion of their suitability and behaviour. he sterile insects are usually produced y direct exposure to doses of chemicals r irradiation. The sterile males mate vith females, and prevent them from aying fertile eggs. Field application of his method on a large-scale is still at an arly stage; more investigation and tudies, including cost and methodology or mass rearing, environmental impact, nd various safety factors are required.

The most frequently discussed requirement for a solution of the malaria problem is a vaccine against the *Plasmodium* species that cause malaria. The development of such a vaccine has been hindered principally by the lack of a suitable source of parasites from which it could be prepared. Only recently has progress begun to be made in this respect. The discovery in 1976 of techniques whereby cultures of *Plasmodium falciparum*, the most widespread malaria parasite, can be kept for prolonged periods of time represents a breakthrough which opens the door to the eventual development of a vaccine.[16,17]

combined measures

Although various ecologically sound alternatives hold great potential for future malaria control strategies, no method used singly will be effective for the total control of malaria. This applies equally to chemical and bio-environmental measures. At the present stage of knowledge and technology, some combination of effective and ecologically sound measures against larval forms and their breeding habitats, controlled application of insecticides against adult vectors, and safe chemotherapy appears to be the rational approach to malaria control. The success of such a programme will depend heavily on the support and participation by the affected people, and community motivation is therefore an essential element. Correct land and water management for fish farming, forestry, agricutlure, and other practices in relation to changing human behaviour and life-styles is also a relevant factor deserving long-term attention in malaria control programmes.

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India's long fight against the killer disease

S.K. Pande

BACK IN 1897 medical history was made on Indian soil. Sir Ronald Ross, a British scientist working in India, brought before the world of science the role of the mosquito in the transmission of malaria. But the National Malaria Control Programme was launched only in 1953. By 1958, however, this had been converted to the far more ambitious National Malaria Eradication Programme.

From about 75 million cases and 800,000 deaths in one year, 1953, malaria cases were brought down to 100,000 by 1965. The killer disease had stopped killing. Today malaria is back on the killer track The beginnings were clearly visible in the early seventies Now the disease is threatening to acquire alarming proportions How serious the situation is can be judged from the fact that over 75 per cent of the central government's Health budget has now been allotted to this priority programme.

To get an idea of the malaria situation in India, the best place to go to is not Nirman Bhavan, the headquarters of the Health ministry, but a quiet corner of old Delhi which houses the headquarters of the National Malaria Eradication Programme. In the director's room is a formidable array of charts, graphs, tables and posters which conveys even to the casual visitor the urgent message that malaria is back with a bang. Block letters pose this question :

"Are you helping with solution or becoming a part of the problem?"

A World Health Organisation report projects that, unless timely steps are taken, by 1980 India could well have over 12 million cases of malaria—400,000 of them fatal Local statistics are equally alarming. Official figures of the New Delhi Municipal Committee (NDMC) which has jurisdiction over the smaller but more modern and relatively cleaner part of the city, indicate an increase of 540 per cent.

The NDMC area houses the ruling elite—the bureaucrats, ministers and poli

ns. The total area is 16 square miles the population just over 300,000. ugh far cleaner than the walled city ld Delhi, the NDMC area still has 31 meters of open drains, chains of m water drains of which 675 kilo- ers remain uncovered and, of course, king hydrants and overhead tanks all r, where mosquitoes breed merrily.

This is not all. Add to it some 15,000 m coolers, 7,000 air conditioners and slum called Pilanji village where buffa- s and pottery-makers live in incredible h and squalor, cheek-by-jowl with a sh suburb. Small wonder that in 1977 ne there were 24,763 positive cases malaria in the NDMC zone. Many re cases certainly went unreported. ced with a series of pointed queries the DMC chairman, Mr Omesh Saigal, d to concede. "Last year every tenth izen was affected by malaria. Judging m trends, this year it might be worse".

In north-eastern India and in parts of e Terai jungles in the foothills of the imalayas, conditions are much worse. 1977 in the states of Meghalaya, Naga- nd and Nicobar Islands, Himachal radesh, Kerala, Punjab and in the nion territories of Delhi and Pondiche- , there was a clear increase in malaria— arying from 0.31 per cent to as high as 27 per cent. Taking the country as a whole a marginal drop was claimed last ear but the figures officially released do ot take one beyond October 1977. And bviously there was little recording done rom villages where tabulating facilities re non-existent.

sudden spurt

The director of the National Malaria Eradication Programme, Dr S. Pattanayak, says that just when it appeared that they had virtually put an end to malaria there was a sudden spurt in its incidence. One reason for the setback was complacency on the part of the government, the people and, of course, the malaria field workers. Even the Health ministry felt that, since, malaria had been brought under control, its funds should be spent on other health efforts.

Meanwhile the mosquitoes had started developing resistance to insecticides. In parts of Uttar Pradesh, Madhya Pradesh, Orissa, Gujarat, Maharashtra, Punjab, Haryana and Karnataka, they had become resistant to DDT. Benzine Hexachloride and Malathion were used as substitutes but they are expensive and, as their effect is less than that of DDT, they have to be used in larger quantities. In some areas mosquitoes had developed resistance to those two insecticides as well.

There were other problems. In the eastern parts of the country in Meghalaya, Arunachal Pradesh and Assam, a change of habit was noted in the malaria-carrying mosquito. In a recent article, Dr Pattanayak and his colleague, V. P Pathak noted that normally the mosquitoes bite their victims indoors; and, after a full-blooded meal, they rest on the walls inside houses or in cattle sheds where they pick up a lathal dose of insecticide if the walls are sprayed in advance. But in some of the eastern states mosquitoes have started biting human beings outside the house. They then rest outdoors, avoiding direct contact with sprayed walls.

drug resistance

Drug resistance is another factor. Quinine has been replaced by chloroquine, definitely a more potent drug. But in some pockets of Assam and Meghalaya, the *Plasmodium Falciparum*, the more virulent malarial parasite, has developed degrees of resistance to it.

An important reason for the setback was the oil crisis. As all the insecticides were petroleum-based, the prices shot up with the rise in the price of petroleum. DDT, for example, cost Rs 3,000 per tonne before the oil crisis. Now it cannot be had for less than Rs 10,000.

The renewed attack on malaria in three-prolonged, based on the government's efforts, the people's participation and on research. The urban malaria scheme covered 428 towns till 1976-77. Last year, 38 more towns were included and more are being included this year. Till last year there were 48,000 anti-malaria workers. Now there are about 65,000.

People are being made more aware of the menace in different ways. Popular programmes of film songs over the national radio network are interspersed with the announcement : "Fever? May be malaria Take chloroquine." Slides on malaria are shown in cinema halls. A government sponsored film on the malaria menace is shown widely. At the higher secondary school level, too, there are lessons on malaria.

The malaria workers going to rural areas are being sent not only to spray insecticides and distribute chloroquine tablets but to educate village leaders. At the village level an attempt is being made to ensure one surveillance worker for a population of ten thousand. The *panchayats* (local self-government bodies) are being involved in the project and encouraged to set up health committees. The number of drug distribution centres has also been increased, Tins of chloroquine tablets have been placed at their disposal with clear instructions in regional languages.

research effort

In a room at the Central Drug Research Institute in Lucknow (CDRI) tucked away in mini mosquito nets I saw mosquitoes in their thousands at different stages of growth. They were also being bred in small jars of water From another room I could hear the "buzzing bugle" of the mosquitoes. Room temperatures were controlled to help the mosquitoes live.

Dr A. B. Sen, a senior researcher at CDRI, explained that they were trying to develop anti-malarials. New chemotherapeutic agents were being developed in the medicinal chemistry division of the Institute. This would mean synthesising new compounds and using plant extracts known to have medicinal value.

These are screened against rat malaria in all stages. The active drugs are further screened against monkey malaria. Chronic toxicity studies are done on rats and monkeys. Studies are being conducted on the mechanism of drug resistance and on the efficacy of other drugs against the resistant.

Research is also going on in Delhi's Indian Council for Medical Research, at the Post-Graduate Centre in Chandigarh, and at the National Institute for Communicable Diseases, An all-out attempt is being made to develop an effective vaccine against malaria and there are

me encouraging results in the tests with ts and monkeys

By and large, the research has two ajor aims : (i) To identify reasons for rug resistance in the parasites and its eographic specificity and (ii) to develop n effective vaccine against malaria. This owever, may take another five years at he very least.

Among the biological control methods s the use of tiny gambusia and guppy ishes barely an inch long which when released in ponds eat up the mosquito larvae. Such experiments, however, have only had partial success in some parts of Bombay and Delhi. They are not being tried out in the rural areas, as it has been discovered that these tiny fish sometimes gobble up the eggs of bigger fish as well.

special watch needed

Malaria is caused by four species of parasites, but in India it is three that are playing havoc—*Plasmodium falciparum*, *Plasmodium viva* and *Plasmodium Malariae*, In1975, more than 85 per cent of the cases were caused by *Plasmodium viva*, around 14 per cent by *P. facliparum* and less than one per cent by *P. Malariae* and mixed infections. Of these *Plasmodium falciparum* is the more virulent and can kill. A small percentage of patients even suffer from cerebral malaria. And projections for 1980 indicate that 25 per cent of the cases may be caused by *Plasmodium falciparum*—the brain-damaging and death dealing parasite. A special watch will have to be kept to minimise this.

1979 is the International Year of the Child and those who are working to bring some content into it through advance planning have a special responsibility to eradicate malaria. Out of 3.1 million cases studied in the mid-seventies 47 per cent were of children below 14. Almost half of those who died were children.

As the UNEP executive directors report this year reminds, simple drainage introduced in 1901 reduced the number of malarial deaths significantly In Mexico a type of mosquito was totally eliminated just by making water flow down the trenches to wish away the larvae. In India, too, a well-planned drive to keep the environment clean may pay more dividends than the chemotheraphy approach. Prevention, after all, is always better than cure.

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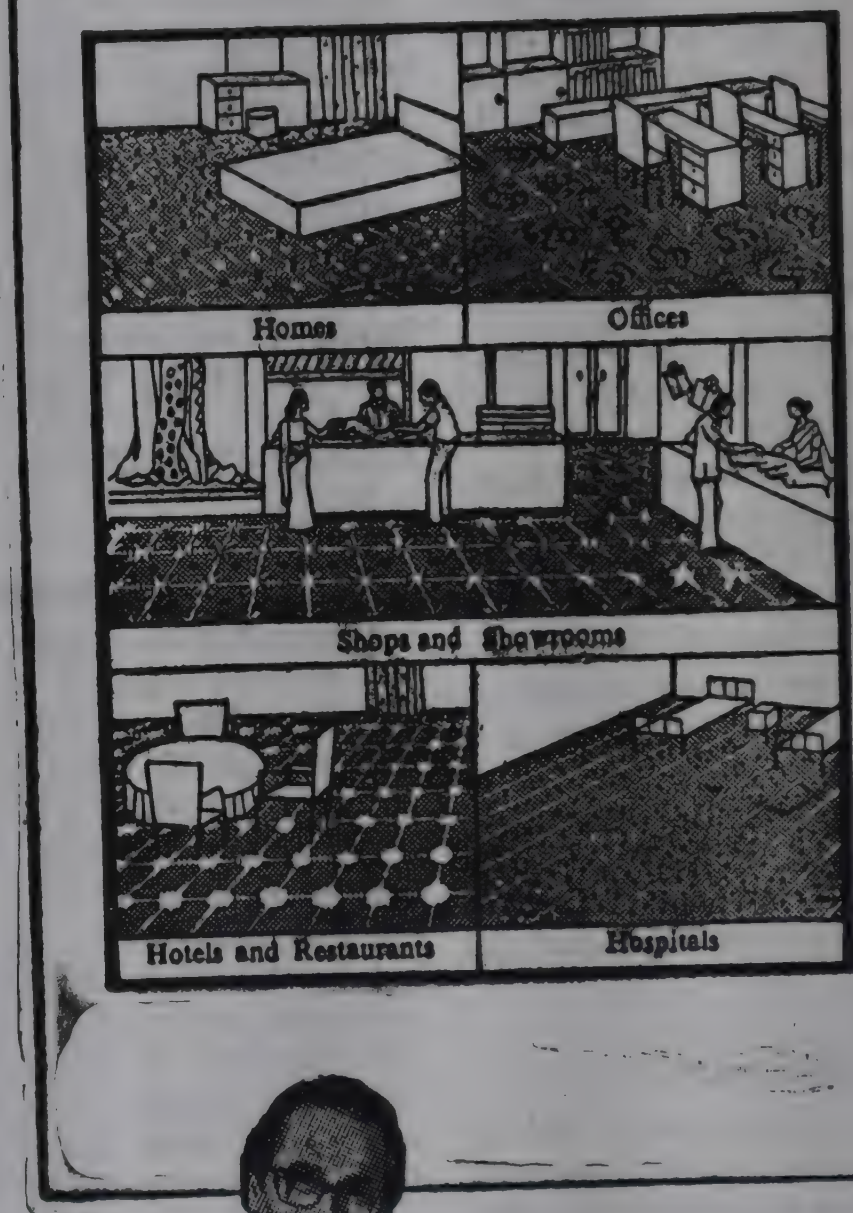

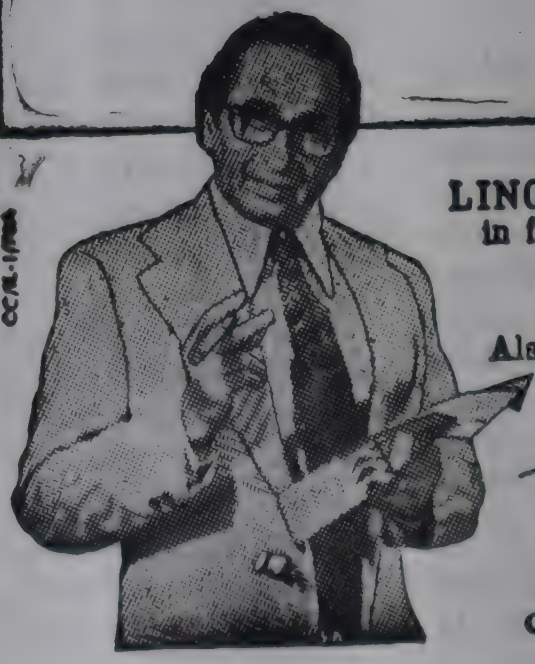

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MOVING FINGER

ording to a report *ndian Express*, the Home minister, k with the Lt-Governor of Delhi, rply pulled up the Delhi Adminis- for failing to handle firmly the by the electricity workers of the Delhi Municipal Committee. Mr Singh has every reason to be because the sabotage of the power continuously for a period of days posed the authority of the state in ry capital of the country to ridicule. ng can be more disgraceful than lemonstrated inability of the secu- et-up even at the very seat of the nment to offer protection to vital utility installations. Perhaps the thing to be said in favour of the eurs or at least the strike is that the households, including ministers', not only not spared, but were pro- picked up deliberately as special ms of a planned dislocation of power ly precisely when there was a searing wave. This no doubt helped our rs to realise that they could not al- s expect complete immunity from the ls of situations which common ple had to suffer almost as a daily tine.

is amusing to note that there was n a talk in ministerial circles of an inance being promulgated to impose a nplete ban on strikes in public utili- . Considering that no central minis- thought it worth his while to utter n a word of concern over the strike of te electricity workers in Kerala, which s been characterised by serious acts sabotage causing major breakdowns in ctric generation or transmission, this most hysterical response to the strike d the sabotage in Delhi is convincing dication of the truth that the only way to destroy the lofty detachment of the politicians in power is to make them taste occasionally the fruit of their own inability or unwillingness or both to govern the country properly.

Mr Charan Singh, it apprears, tried to shame the Lt-Governor of Delhi, Mr D.R. Kohli, by recalling how, when he (Mr Charan Singh) was chief minister of UP, he did not hesitate to order the dismissal of 60 strikers for causing suffering to the people by disrupting essential services. This, no doubt, was an impressive act of administration, but the present Home minister, I am sure, will concede that firmness of much more heroic dimensions was shown by the then central government when it rounded up the strike-leaders at the time of the railway strike of 1974. People who could think dispassionately knew and said at the time that the cabinet could have done no less or could not have acted any differently if it were to save the country—as, indeed, it did—from the attack on its national transport system which could easily have resulted in a large loss of lives, besides extensive destruction of public property.

Right now the banking system is being harassed by an agitation by bank officers. They are protesting against the implementation of the recommendations of a duly constituted committee which has worked out schemes of rationalization of the emoluments of the officers of nationalised banks so that the more glaring anomalies of the individual pay structures of these banks could be removed and some discipline imposed on the growth of establishment costs. This indicates the extent to which society is becoming powerless to withstand strategically well-placed workers or their trade unions. For the past 15 months or longer the present government has been following a policy of drift in the area of industrial relations. The Labour minister particularly has miserably failed to make an impact either through ideas or action. Mr Ravindra Varma has essentially been a non-person for aught that his ministry may have accomplished or tried to during one of the most frustrating periods of industrial unrest the country has so far experienced.

This brings me to the smug assertion, often made by Acharya Kripalani, even while criticising the performance of the government on various counts, that the present central cabinet is a better or an abler team than any that had been in office before. Not many, surely, will agree with this assessment. It cannot be doubted at all that there are far too many second-raters in this government. There are those who are dumb and have good reason to be so. There are others who are excessively voluble without enough reason for being so. There are ambitious young men with little to justify their ambitions. There are also old men who are no less ambitious. Mr Morarji Desai's image has to work overtime in order that his government may have some appearance of stability or purpose. But this means that the prime minister is risking over-exposure. This is already beginning to tax even his political durability.

To all this Mr Rajmohan Gandhi seems to believe that he has an answer. Writing in the *Indian Express* of June 2, he goes through the time-dishonoured exercise of dismissing the various alternatives to the ruling party through the familiar process of elimination and concludes that "so we are left with the disappointing, faltering, oft-bungling Janata". Have we not heard this said quite often before of the Congress party during all those long years it was in office? Mr Gandhi exhorts us to believe in the *possibility* of Janata unity and effectiveness at least as difficult but not impossible goal. But, as of now, what are the probabilities?

VB

TRADE WINDS

Bombay High Gas, Oil Pipeline

ASSOCIATED GAS from the offshore Bombay High oilfield recently started flowing through a subsea 30 inch trunk pipeline to the shore terminal at Uran 203 kms away. Close on the heels of gas came oil when the massive 3000-tonne platform 'F' at Bombay High started pumping crude collected from two production platforms into a separate parallel 36-inch trunk line.

Transportation of oil and gas through the pipelines marks the near completion of phase II-A of the Bombay offshore project, work on which started in June 1977. It involved apart from setting up of platform 'F' laying of the two trunk pipelines on the sea bed, establishment of a shore terminal at Uran to receive oil and gas and laying of four feeder lines from there to Trombay.

With the completion of phase III-A, up to one million cubic metres of Bombay High associated gas would be available to industrial consumers, the Trombay fertiliser plant of the Rastriya Chemicals and Fertilisers Limited and the Tata Thermal Power Plant being the immediate and largest beneficiaries.

IISCO's Breakthrough

The Indian Iron and Steel Company has achieved a technological breakthrough in the production of ductile iron spun pipes. These iron spun pipes are more effective in conveying water, gas and other fluids under pressure than grey or cast iron pipes. Commercial production is expected to start within two months at the IISCO's Kulti Iron Works, Durgapur. The initial output would be about 1,000 tonnes per month to be raised to 3,000 tonnes per month by the end of the year.

The production of the new spun pipes is the culmination of several years of developmental efforts at IISCO to diversify the Kulti works range of products in a highly competitive market for foundry products, specially CI spun pipes. IISCO's Kulti works has two spun pipe plants with a combined capacity of roughly 156,000 tonnes per annum. Even the newer of these two plants was set up about 20 years ago producing only grey iron spun pipes.

BHEL's New Boiler

The 12-tonne per hour commercial fluidised combustion boiler developed by the state-owned Bharat Heavy Electricals Limited (BHEL) is the first ever to be built in the world for commercial sale. It represents a major breakthrough in boiler technology and a significant achievement in BHEL's in-house research and development programme for better utilisation of coal.

The successful development of such a boiler in India has attracted the attention of advanced countries like the US and the UK who have simultaneously shown a keen interest in undertaking joint development programmes in this field by collaborating with the BHEL.

Gold Auction

As many as 1598 bids were received by the Reserve Bank for the fourth auction sale of gold on June 14. Of these 1,156 were received at the counter of the RBI in Bombay and 442 by post. For the fourth auction, the RBI relaxed rules reducing the minimum and maximum quantity of gold for bidding to 500 gm and 2,500 gm respectively from 1,000 gm and 5,000 gm. The relaxation also permitted registered goldsmiths not exceeding five to submit joint tenders. However, the goldsmiths throughout the country observed a hartal demanding scrapping of auction sale of gold. Four thousand goldsmiths coming from various parts of the country on June 14 marched to the Reserve Bank of India headquarters at Bombay demanding the replacement of the present system of tenders in the gold auctions by a suitable scheme.

A delegation on behalf of the goldsmiths emphasised the need for creation of a machinery through which the poor self employed goldsmiths numbering about 8 lakhs in the country and the common man could get gold at a proper price.

In the meanwhile, government has scheduled the fifth gold auction for June 28 for which bids will be received on June 27 and 28. In this auction apart from small goldsmiths, even small dealers in gold will be able to make bids in groups of not more than five dealers.

The government has also relaxed the ban on dealer-to-dealer resale of gold purchased from the Reserve Ba auction permitting the transf of such gold between deale for the purpose of making o naments.

IMF Gold Acquired

India has added 8,04,8 ounces of gold to its reserv received from the Inte national Monetary Fund in t non-competitive bid for dev loping countries. The gold not to be used for auction the country or for supply jewellers for export. Ind paid an average of $183.09 a ounce for the IMF gold.

New Loans

The government of Indi has announced the issue three loans aggregati Rs 400 crores: (i) 6-1/4 per ce loan, 1993 to be issued Rs 100.25 per cent and repay able at par on July 1, 199 (ii) 6-1/2 per cent loan, 20 to be issued at Rs 100.00 p cent and repayable at par o July 1, 2000; (iii) 6-3/4 per ce Loan, 2006 (second issue) be issued at Rs 100.00 per ce and repayable at par on Ma 15, 2006.

Subscriptions in the form cash/cheque or securities 4¾ per cent loan, 1978 wi be received from July, 1 t July 3, 1978 (both days inclu sive) but the subscription lis may be closed earlier witho notice as soon as the tot subscription amounts to Rs 4 crores. Government reserv the right to retain subscrip ions upto 10 per cent in exce of the notified amount.

In the case of 6-3/4 per ce loan, 2006 (second issu interest for the period July to November 14, 1978 (incl sive) will be paid on Nover ber 15 and thereafter intere will be paid half-yearly May 15 and November Interest on 6-1/4 per ce

)3 and 6-1/2 per cent
001 will be paid half-
on January 1 and

est on the securities of
per cent loan, 1978
d for conversion will
l at the rate of 4-3/4
it per annum upto and
ve of June 30, 1978 at
ne of the issue of the
curities.

rest on all the loans now
together with interest
ther previous govern-
securities and income
other approved invest-
will be exempt from
ne tax subject to a limit
s 3,000 per annum and
ct to other provisions of
on 80L of the Income
Act, 1961. The value of
investments in the loans
issued together with the
e of other previous invest-
s in government securi-
and the other investments
ified in section 5 of the
lth Tax Act will also be
npt from the Wealth Tax
Rs 1,50,000. Applica-
s for the loans will be
ived at: (a) offices of the
erve Bank of India at
medabad, Bangalore, Bom-
(Fort and Byculla), Cal-
ta, Hyderabad, Jaipur,
npur, Madras, Nagpur,
w Delhi and Patna; and (b)
nches of the State Bank of
lia at all places in India
cept at (a) above.

ee Sale Sugar r July

The central government has
leased 3.71 lakh tonnes of
gar for internal consumption
r July next. It comprises
71 lakh tonnes of levy sugar
d one lakh tonnes of free
le sugar. The quantity of
ee sale sugar released for
ly is a record. It was only in
larch that 95,000 tonnes of
ee sale sugar was released.

The release of one lakh tonnes of free sale sugar is likely to stabilise the prices at the current level. Although this quota is quite large for the month of July when demand is expected to be a little sluggish, its impact on the prices is unlikely to be bearish as it is not large enough to make up the shortfall in the supplies of khandsari.

In view of record production of more than 60 lakh tonnes in 1977-78 as against 48.40 lakh tonnes in the previous season it has become possible for the government to spare more sugar for internal consumption. In 1977-78 about 45 lakh tonnes of sugar are expected to be consumed, while exports are likely to be about 66.50 lakh tonnes.

The only constraint on domestic release is its bearish impact on the prices to the detriment of the sugar industry. The government has to take care that the release should not depress the prices to uneconomic level. The current season is expected to end with huge stocks of about 26 lakh tonnes, as against only 16.65 lakh tonnes last season.

Refinance Scheme for Small Industries

The Industrial Development Bank of India has announced the introduction, as from July 1, 1978, of an automatic refinance scheme (ARS) to help accelerate the flow of institutional credit to the small-scale and tiny industries. This scheme will cover term loans up to five lakh rupees and will replace the present liberalised refinance scheme (LRS).

Under the new ARS, eligible institutions (numbering as many as 130 at present, which include state financial corporations (SFCs), commercial and cooperative banks, rural banks, etc) will be able to obtain sanction and disbursement of refinance on an automatic basis, in respect of their loans to small scale industrial units, including the tiny sector covered under the credit guarantee scheme and to small road transport operators. The eligible institutions will no longer have to furnish their appraisal reports or sanction notes. A statement eontaining minimal essential data relating to a group of loans sanctioned, need only be submitted in triplicate. One copy of this statement will be immediately returned to them, with an appropriate docket thereon, recording IDBI's sanction of refinance. The drawal of refinance will be allowed on group basis in respect of the disbursements made by the eligible institutions and this will be automatic.

Subsidy for Irrigation

Small and marginal farmers all over the country would now be eligible for subsidy and other facilities for development of minor irrigation. This was announced by the minister for Agriculture and Irrigation, Mr Surjit Singh Barnala at a meeting of the parliamentary con-

Company Meeting

The Scindia Steam Navigation Co., Ltd.

Summary of the Statement of Shri Dharamsey M. Khatau, Chairman, The Scindia Steam Navigation Co., Ltd., at the 58th Annual General Meeting of the Shareholders on Wednesday, the 21st June 1978 at Bombay.

After welcoming the shareholders and paying his tributes to the memory of late Shri Krishnaraj M. D. Thackersey, who passed away on 4th February 1978, for his valuable contributions to the progress of the company earlier as Director and later on as Chairman. Shri Dharamsey M. Khatau reviewed the Accounts for the year ending 30th June 1977 and noted that the nett profits of the company were lower for 1976-77 than for 1975-76 and forewarned that for the current year "the results of the company cannot be even as good as the year under review" due to prevailing depressed trading situations, continuously increasing operating costs and port delays to ships etc. which are beyond the control of shipowners.

Shri Khatau observed that the world-wide crisis which set in by end 1974 in shipping still continued affecting seriously the earning capacity and liquidity of the industry and hoped that the tide would turn and shipping industry would look up within a couple of years.

Shri Khatau disclosed that in order to keep its fleet in efficient and up-to-date condition, the company sold 4 old ships and took delivery of 3 new ships. Further 6 liner ships were on order. The ships acquired recently were very modern, equipped to carry containers and pallets.

Port delays seriously affect viability of ship operations and efforts should be made by the authorities concerned to improve the situation.

To make India-built ships cost-wise competitive, Shri Khatau urged for exemption of indigenous components and equipments from excise duty.

Shri Khatau expressed warm felicitations to Prime Minister, Shri Morarji Desai and thanked him for his interest in shipping.

He conveyed special thanks to Shri H. M. Patel, Finance Minister and Shri Chand Ram, Shipping Minister, for their valuable guidance for the progress of shipping industry.

Shri Khatau also thanked the Secretaries of the Ministries of Shipping & Transport, Finance, Director General of Shipping and all those who have been of help.

NOTE: This does not purport to be the proceedings of the annual general meeting of the company.

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e committee attached ministry recently.

facility was so far res- to areas covered under all Farmers Develop- Agency programme and other schemes.

rring to the selection tricts for development SFDA or DPAP pro- es, Mr Barnala said e states themselves had ide which new districts to be taken up under programmes.

the expeditious solution ter-state water disputes, Agriculture minister rei- d that the development igation was being attend- purely from the national of view. Last year's et of the Agriculture and ation ministry for the lopment of irrigation was only utilised but was ex- ed substantially resulting e creation of an addition- rrigation potential of 2.8 ion hectare.

r Barnala discounted the s expressed in some quar- that the Theri Dam in UP not technically feasible. pointed out that all tech- al aspects of this dam had n fully examined and the ject had been found to be hnically feasible and practi- le.

larket Survey for ports Goods

To assess the market poten- l for selected products in lected markets, the Trade evelopment Authority had ndertaken a study tour for orts goods in FRG, Den- ark, Netherlands, France, the K and Switzerland, with the ssistance of United Nations ndustrial Development Orga- isation (UNIDO), Vienna nd United Nations Develop- ment Programme (UNDP), New Delhi. The report, based on this study tour broadly covers market segments, competition, product adaptation and prospects of exports of sports goods in these countries. Copies of the report are available for sale at Rs 13 (including of Rs 3 for packing and forwarding) from the Secretary, Trade Development Authority, Bank of Baroda Building, 16, Parliament Street, New Delhi.

Vehicle Production in 1975-77

According to the statistics issued by the Federation of Automobile Dealers Associations, 37849 passenger cars had been manufactured in the country during 1977. This is against 31528 manufactured in 1976 and 23070 in 1975. According to the same source, during 1977, 41395 commercial vehicles had been manufactured, as against 46429 in 1976 and 42595 in 1975. The table alongside gives the number of various types of vehicles produced during the last three years (1975, 1976 and 1977).

Easy Customs Rules to Clear Nylon Yarn

The Bombay customs have introduced a simpler procedure for the clearance of first and second quality nylon filament yarn following representation from small-scale crimping units. Under the revised procedure, clearance of second quality nylon yarn imported under REP licences by registered exporters, will be effected promptly, pending of course the test reports with an undertaking from the concerned importers that the yarn is of II quality. Where a consignment is received under one order but with separate docu-

Vehicles Produced During 1975-77

	1977	1976	1975
Cars			
Ambassador	20256	16422	9322
Premier Pres Padmini	17481	14945	13680
Standard Gazel	94	161	118
Standard Gazel Car	18	—	—
Total	37849	31528	23070
Jeeps			
CJ-3B Jeep Petrol	2907	2602	7439
Diesel	6687	4139	723
Total	9594	6741	8162
Commercial Vehicles Total:	41395	46429	42595
Grand Total of cars, jeeps and commercial vehicles	88838	84698	73827
Scooters			
Lambretta 150 CC	20284	31436	29754
MAC 175 S 175 CC	1326	1550	—
Rajdoot (Escorts)	552	680	460
Bajaj (Bajaj Auto) CBU	68349	85963	60745
CKD	39175	—	—
Vijai (SIL)	16720	28054	—
Total	146406	147783	90959
3-Wheelers			
Lambretta (API)	878	3320	2298
Bajaj Auto CBU	15123	15566	9925
CKD	2300	—	—
Bajaj Tempo Hanseat	128	302	439
Total	18429	19188	12662
Motor Cycles			
Rajdoot	28759	23883	2140
Rajdoot GTS	856	1845	21830
Enfield 350 CC	7682	15237	12912
Enfield 173/197 CC	3212	2635	5951
Jawa 250 CC	26472	28449	26169
Jawa 60 CC	4	1109	532
Total	66985	73158	69537
Grand Total of Scooters 3-Wheelers and Motor Cycles	231820	212075	173158
Mopeds			
Luna (Kinetic)	18284	13178	18032
Suvega (Mopeds India)	11737	18909	14006
Vickey (Saund Zweirad)	1787	1523	1851
Saund 100	26	—	—
Total	31834	33610	34082

ents, one sample for the en-
re consignment will be sent
r testing in order to avoid
astage and unnecessary delays
nd testing charges. With
egard to Ist quality yarn from
ne continental countries, no
rice will be loaded in respect
f uneven weight of the car-
ons.

All India Crimpers' Asso-
iation had waited upon Mr
Satish Agarwal, the minister
of state for Finance, to acquaint
him of the plight of small
crimpers on delay in the
receipt of imported nylon
yarn. It was found that the
actual receipt was much delay-
ed owing to long drawn pro-
cedures followed by the cus-
toms. This tended to push
up the market price of the
yarn and to this extent went
against the best interests of
consumers, including crimpers.

American Award for Mr Tata

Former Air-India chairman, Mr J.R.D. Tata, has been selected for the Tony Jannus Award for 1979 in recognition of his outstanding contribution to the development of air transportation. A message from the US requesting him to accept the award at a special ceremony in Tampa, Florida, next March, reached while Mr Tata was being felicitated in his office on behalf of the airlines staff and presented a silver model of the Puss Moth, which he flew on India's first scheduled airmail flight from Karachi to Bombay on October 15, 1932.

FRG Honours Mr Nanda

Mr H. P. Nanda, an noted industrialist, was presented the Great Cross of Merit of the Federal Republic of Germany at a function held at the German embassy recently. The decoration given for exceptional services, was awarded to Mr Nanda for his contributions towards promoting Indo-German industrial and economic ties. The presentation was made to him on behalf of Mr Walter Scheel, president of the Federal Republic of Germany, by the ambassador in Delhi, Mr Oncken.

Thermo Air and Vane Anemometer

Two high precision instruments for industries using anemometers for draught and air flow measurements whic have wide application in ai conditioning and heatin equipment, cooling and dryin chambers, evaporation an thermal exchange processe are being offered by Schil knecht, Zurich, represented i this country by Larsen &

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- The tax required to be deducted at source from your salary income has been so deducted;
- You had no other income, except income by way of interest, dividends, etc. not exceeding in all Rs. 3,000 which is exempt from tax u/s 80L of the Income-tax Act;
- In case you were employed in a company, you were not at any time during the previous year its Director, or a beneficial owner of its ordinary shares carrying 20% or more of voting power.

In case you do not satisfy any of these conditions remember 30th June is the last date for filing your return.

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INCOME TAX DEPARTMENT
New Delhi-110001

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o. The instruments are:
42 thermo air and type
m vane anemometer.

type 442 thermo air
ts of a small thermister
l by a battery. When air
past it, the thermister
down according to the
of air flow. At the same
the temperature is also
ured. The type 642 a-m
anemometer is reputed
e the world's smallest,
a head diameter of only
mm. The revolutions of
anes are scanned electro-
ly by the measuring head
converted into airflow
s. The measuring head
also house a thermister to
the temperature indica-
as well. The 642 a-m has
ral advantages over pres-
tubes and thermo electric
mometers: it is completely
pendent of the changes in
sity, temperature and pres-
e of the medium.

IIC Finance for hree Projects

The Gujarat Industrial In-
tment Corporation sanc-
ned term finance of Rs 87
khs for three industrial units
June 1978. Among them,
e existing unit will expand
d complete its new project
Jamnagar, whereas new
its will be established at
nkleshwar and Bavla. The
ree projects would altogether
nerate total investment of
s 3.15 crores of which Rs 52
khs will be in the centrally
otified backward district of
roach.

The project for manufactur-
ng drills, reamers and cutters
s based on a survey carried
ut by the Market Research
Division of GIIC and will be
stablished at Ankleshwar.

The project for manufacture
of horizontal boring machines at Jamnagar has an estimated cost of Rs 1.05 crores. The project with potential for export is likely to be completed by the middle of 1979. The German collaborators associated in the project have for the first time offered their know-how to the outside world.

Names in the News

The term of **Mr K. P. P. Nambiar** as chairman and managing director of Kerala State Electronics Development Corporation Limited (KELTRON) has been extended for another five years by the Kerala government with effect from June 1, 1978.

Dr J. N. Banerjee of Sandoz, vice-president, of the Commonwealth Pharmaceutical Association, was elected an honorary member of the Pharmaceutical Society of Britain at a meeting of the society's council held recently in London.

Mr S. Venkataraman, till recently joint-general manager, has been promoted as general manager of Canara Bank.

Mr S. Venkataraman

Mr B. K. Chatterji has been appointed as chairman of the United Commercial Bank. Mr Chatterji is at present the managing director of the State Bank of Bikaner & Jaipur. During his short tenure of about less than a year, Mr Chatterji took many steps to make SBBJ penetrate into villages and help the poor.

Mr P. S. Deshpande has been promoted as joint general manager of Bank of Maharashtra. **Mr B.P. Gokhale,** until recently assistant general manager (accounts, audit and investments) has also been promoted as joint general manager.

Mr N. C. Buch has taken over as managing director of the Gujarat Sheep and Wool Development Corporation, Ahmedabad.

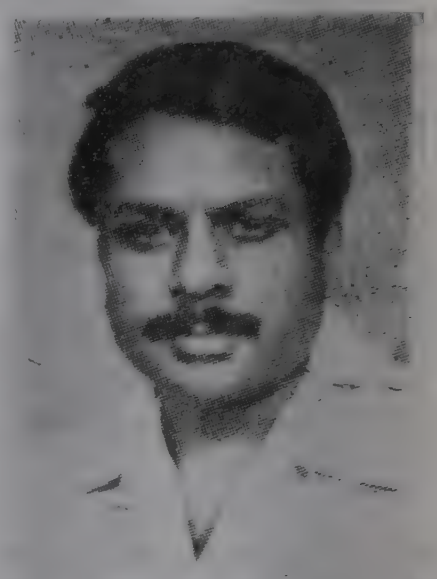
Mr Sudhir Doshi has joined Mukand Iron & Steel Works Ltd, Bombay, as general manager, corporate headquarters, after serving Indian Aluminium Co Ltd for 26 years in various managerial capacities. Mr Doshi had a number of foreign assignments with INDAL the last being with Aluminium Company of Canada, Montreal, for a period of three years.

Mr S. N. Misra, technical member (transmission and distribution) has been appointed chairman of the Maharashtra State Electricity Board. He took charge of the post from Dr M.D. **Godbole** on June 6.

Sardar Ranjit Singh Nazar has been nominated by the government of India as an un-official director on the board of management of the Food Corporation of India.

Mr Ratanlal Agarwal of the Vidarbha Paper Mills Ltd, has been elected as president of the All India Small Paper Mills Association for the year 1978-79.

Mr Bhupendra Kumar Modi, Executive Director of



Mr Bhupendra Kumar Modi

Modi Rubber Limited has been elected as president of the Institute of Productivity & Management, Meerut,

Mr N.K.R. Panicker has taken over as the director-secretary of the Kerala State Industrial Enterprises Ltd, a holding company of Kerala government.

Mr C. C. Modi has been appointed chairman of the Karmahom Conferences serving the trade between West Coast of India and UK/Continent. Mr Modi, who is a senior executive of the Scindia Steam Navigation Co Ltd, has been closely associated with Conference matters for a long time and has represented Indian shipping at many international deliberations.

COMPANY AFFAIRS

Shaw Wallace

SHAW WALLACE has shown encouraging performance for 1977 enabling the directors to step up the equity dividend to 12.5 per cent from 10 per cent paid for 1976.

The company has made considerable headway in respect of its several diversification schemes. Assistance for the giant Rs 230-crore Nagarjuna fertiliser and chemicals project at Kakinada (Andhra Pradesh) by the financial institutions is expected to be sanctioned shortly.

The company has taken steps to implement the letter of intent for the manufacture of agro-chemicals at Haldia. It proposes to undertake the manufacture of 150 tonnes of fenitrothion per annum. Construction work for the project is expected to be commenced after the monsoon and production is expected to start in 1980. The company has received the government's approval for entering into the shipping field by purchasing three or more ships with an aggregate of 70,000 dwt. However, in view of the current sluggish conditions and difficulties faced by the industry, the management is considering all aspects before deciding on the timings for acquisition of ships.

The company has made a gross profit of Rs 2.19 crores on a turnover of Rs 90.89 crores against a profit of Rs 1.87 crores on a turnover of Rs 80.82 crores in the previous year. After providing Rs 25.80 lakhs (Rs 27.63 lakhs for depreciation, Rs 129.78 lakhs (Rs 93.44 lakhs) for taxation and Rs 3.25 lakhs (nil) for investment allowance reserve and making other adjustments, there is a surplus of Rs 83.69 lakhs against Rs 75.33 lakhs. An equity dividend of 12.5 per cent has been proposed against 10 per cent which will absorb Rs 50 lakhs (Rs 40 lakhs); Rs 6 lakhs have been transferred to debenture redemption reserve and Rs 24 lakhs to general reserve.

Canara Bank

The aggregate deposits of Canara Bank during the year ended December 31, 1977 rose from Rs 900 crores to Rs 1084 crores, marking a 20 per cent increase during the year. In a sense 1977 is a landmark for the bank as its deposits crossed Rs 1000-crore mark for the first time.

The total credit extended by the bank during the year increased by Rs 51 crores to reach Rs 713 crores indicating a growth rate of 7.7 per cent. The credit deposit ratio thus was 66 per cent. Assistance to the priority sector (excluding exports) of Canara Bank accounted for 32 per cent of its total credit. The clientele of the bank during the year increased to 68.6 lakhs of which 58.3 lakhs were deposit accounts and 10.3 lakhs borrowal accounts.

Canara Bank had 1102 branches operating at the end of 1977 of which 87 were opened during the year under reference. Sixty-six per cent of the branches opened were in rural and semi-urban centres and its branches are now spanning the entire country.

The bank has adopted 700 villages in 17 districts under the lead bank scheme. The number of branches opened under the scheme rose from 357 at the end of 1976 to 382 at the end of 1977. Over 280 branches under the scheme operated in rural and semi-urban areas. Assistance granted under the scheme was estimated at Rs 5.5 crores at the end of 1977.

New Bank of India

The investments of the New Bank of India Ltd during 1977 rose by 35.6 per cent from Rs 49.71 crores to Rs 67.41 crores. The growth of deposits was 28 per cent to reach Rs 276.79 crores a net increase of Rs 65 crores during the year ending 1977. The performance of the bank was well above the banking industry's average by 7.4 per cent. In fact its growth rate was above average in all departments — deposits, advances, branch expansion and profitability. The bank had opened 64 branches during the year of which 36 were in rural areas and 10 in semi-urban areas. Thus 72 per cent of the newly opened branches were in rural and semi-urban areas, well above the performance of public sector banks. Its network of 334 branches at the end of 1977 had covered nearly all the states and union territories of the country. The New Bank of India adopted four villages in 1977 and its advances to the agricultural sector went up by Rs 3.35 crores during the year. The bank has introduced differential rates of interest for poor and weaker sections of the society and has plans finance development orient projects for the benefit these sections of the people.

After providing for incor tax and other necessary liabi ties the profit of the bank f the year 1977 amounted Rs 69.23 lakhs. With the su of Rs 10.45 lakhs brought fo ward from the previous ye the amount available f appropriation was Rs 79. lakhs. The directors ha allocated Rs 15.11 lakhs f dividend at the rate of 20 p cent. Statutory reserve ge Rs 36 lakhs and gener reserve Rs 10 lakhs. Dev lopment reserve and forei exchange equalisation reser take Rs 2 lakhs and Rs lakhs each Another Rs 2 lak are set apart for charity and sum of Rs 9.58 lakhs carried forward to the ne year's account.

Credit advances by the ba to the export section h amount to Rs 11.11 crores the end of 1977 and it had branches specialsing in forei exchange business.

Andhra Bank

The net profits of t Andhra Bank Ltd for the ye ended December 31, 1977 af providing for taxation a making other usual and nece sary provisions amounts Rs 71.08 lakhs. Adding to th a sum of Rs 64,600 being t balance of profit brought fo ward from the previous yea account the total amou available for appropriation Rs 71.72 lakhs. The boa decided to transfer to th reserve fund a sum of Rs lakhs. Investment fluctuati reserve gets four lakh rupe and development reser another two lakh rupe Dividend for the year und reference is provided Rs lakhs. An amount of Rs 73,0

rried forward to next account.

deposits of the bank the year increased by .82 crores to Rs 319.35 . Advances rose by 5.92 crores to Rs 210.85 . The bank has made a coverage of the agricul- sector having advanced Rs 34.83 crores to nearly lakh farmers. Advances as ecember 31, 1977, to 1500 l-scale industries amount- Rs 14 crores. Assistance unting to Rs 38 lakhs was ered to 2193 persons under employment scheme. Out- ding with the priority rs including exports at nd of 1977 stood at Rs 58 es i.e. 27.51 per cent of otal advances.

uring the year 1977, the had opened 100 branches 12 states, of these 53 nches were opened in rural s and 17 in semi-urban s.

ndustan Gas

Despite an increase in its nover from Rs 5.61 crores Rs 5.62 crores, the gross fit made by Hindustan Gas Industries during the year led March 1978 at Rs 1.09 res shows a decline of 3.7 cent from the previous r's figure of Rs 1.26 crores. uity dividend has been, wever, maintained at Rs 1.45 r share of Rs 7 each.

After providing Rs 29.17 khs (Rs 16.44 lakhs) for dep- ciation, Rs 6.50 lakhs (nil) r investment allowance serve and Rs 41.50 lakhs s 61 lakhs) for taxation, the t profit works out at Rs 31.95 khs against Rs 49.09 lakhs. reference and equity divi- ends will absorb Rs 17.38 khs (Rs 17.74 lakhs) and the alance of Rs 15.59 lakhs Rs 40.06 lakhs) has been ransferred to general reserve.

The expansion of the files plant is expected to be completed during 1979. The company has received a letter of intent for the setting up of a hydrogen gas plant at Budge Budge, Calcutta, with an annual capacity of 2.16 lakh cubic metres.

Braithwaite

Braithwaite and Company Limited, a government undertaking, hopes to come out of the red and reach the breakeven level in 1978-79, according to Major-General R.N. Sen, chairman and managing director of the company. The target for 1978-79 is approximately Rs 23 crores worth of production. According to Gen Sen, the company has a "fairly healthy" order book position. If there is adequate power supply and production is not adversely affected by poor industrial relations, the target should be achieved. This should allow the company to break even, if not make a profit of Rs 1.5 crores during the year.

Gen. Sen has said that the company's long-term corporate plan covering the period up to 1985-86, now under examination by the centre, if approved, will involve a substantial investment and expansion, resulting in considerable increase in turnover and its profitability. It will also improve the employment potential.

The operating loss of the company in 1977-78 has been approximately Rs 1.9 crores.

Braithwaite, Gen. Sen has said, is currently executing a turn-key project for pressed steel water tanks for Bahrain and an Ugandan order for 150 wagons. Recently, it has secured an order for the supply of 240 wagons to Vietnam, which will be delivered during 1979-80. The total value of export orders with the company to be expected during the current and the next year is over Rs 10 crores. An order for a coal handling plant at Kottadih in Bihar worth Rs 2 crores and sand filtration equipment, special wagons, cranes and castings have also been secured recently.

The government has agreed in principle to a collaboration agreement with a well-known crane manufacturer of West Germany for various types of cranes. After negotiations the draft agreement was finalised but it is awaiting the final approval of the respective governments.

Gen Sen has pointed out that the current restricted off-

Directorate of Purchase and Stores

Director, Directorate of Purchase & Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

1. DPS/BARC/IEE/1631 DUE ON 21.7.78: Temperature Programmer cum-Controller. 5 Nos.
2. DPS/BARC/IEE/1632 DUE ON 21.7.78: Storage Oscilloscopes Band Width 50 MHz. 1 No.
3. DPS/BARC/IEE/1638 DUE ON 24.7.78: Integral assembly with detector or and photomultiplier. 1 No.
4. DPS/BARC/IEE/1647 DUE ON 24.7.78: Spectrophotometer wavelength 340 to 950 millimicron. 1 No.
5. DPS/BARC/IEE/1648 DUE ON 25.7.78: Video cassette tape recording editting and playback system. 1 No.
6. DPS/BARC/IEE/1651 DUE ON 25.7.78 Board level control processing complete system. 1 No.
7. DPS/RRC/IEE/443 DUE ON 26.7.78: Top leading balance of 1600 gram capacity. 3 Nos.
8. DPS/PPED/IEE/85 DUE ON 26.7.78: Pipeline vibration measuring system frequency range 1 Hz to 1 KHz. 1 No.
9. DPS/VEC/IEE/85 DUE on 27.7.78: Interpreting data recorder for card punching, verification, reproduction and interpretation having read speed 200 CPM. 4 Nos.
10. DPS/BARC/IEE/1657 DUE ON 27.7.78: Storage Cathode ray Oscilloscope. 1 No.
11. DPS/NFC/MIA/451 DUE ON 19.7.78: Portable Ultrasonic tester for detecting flaws in forged machined bi-lets of S.S. ball bearing steel oil well drill pipe steel, by pulse echo method.
12. DPS/BARC/IEE/1658 DUE ON 1-8.78:Digital Printer. 2 No.
13. DPS/BARC/MHD/IEE/36 DUE ON 1.8.78: Combined incident light and transmitted light microscope magnification 10x to 2000x (with oil immersion lens). 1 No.
14. DPS/VEC/IEE/89: DUE ON 2.8.78: 1024 x 4 N- MOS Static Random Memory. 100 Nos.
15. DPS/RRC/IEE/444 DUE ON 2.8.78: 30 MHz Sweep Generator in 11 decade ranges with dial and frequency vernier. 1 No.
16. DPS/RRC/IEE/445 DUE ON 3.8.78: Moisture Monitor for moisture reading from a chamber having moisture content ranging from a few percent to hundred percent. 1 No.
17. DPS/BARC/IEE/1668 DUE ON 3.8.78: Electro-optic switching system to be used with Leser for ultrafast Q-Switching, pulse shaping etc. 1 No.
18. DPS/BARC/R-5/IEE/57:DUE ON 4.8.78 Dipping Refractometer. 1 No.
19. DPS/BARC/IEE/1516 DUE ON 4.8.78: Infrared Spectro photometer Linear wave number grating scanning from 4000-200 Com-1 No.
20. DPS/BARC/IEE/1670 DUE ON 7.8.78: Automatic itrimeter complete with Stand, burets, electrodes and stirrer. 1 No.
21. DPS/BARC/IEE/1671 DUE ON 7.8.78: Spectrophotometer for rapid transmittance and absorbance measurements in the 320 to 1000 millimicrons spectral range. 1 No.
22. DPS/TAPS/IEE/73 DUE ON 8.8.78: Multichannel Analyser system with Spectroscoy amplifier and with amplifier and with 1024 or 4096 channel semi-conductor or core memory X-Y recorder. 1 No.

Tender documents priced Rs. 20/- each for items 2,3,4,6,8,11,12,14,15,16,18 20,21; Rs.30/- each for items 7,10,17; Rs. 40/-each for items 1,13,19; Rs. 60/- each for items 5,9,22 and general conditions of contracts priced Re.0-50p can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400001 between 10 a.m. to 1 p.m. on all working days except on Saturdays. Import licence will be provided only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due dates shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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take of wagons by railways has hit the industry hard. However, a review of the haulage requirement in the country will show that there is need for a larger number of wagons.

Vulcan-Laval

The directors of Vulcan-Laval have proposed to issue rights shares of Rs 10 each at a premium of six rupees per share in the ratio of nine shares for every five shares held to the Indian shareholders, subject to the sanction of Controller of Capital Issues. In addition to the right issue of 7.91 lakh equity shares, the company is expected to offer 41,064 shares to its employees, Indian directors and their associates. Simultaneously, with the capital issues, two major non-resident shareholders of the company will disinvest shares of Rs 12 lakhs and offer them to financial institutions at the same premium of six rupees per share subject to the approval of the government.

The rights issue and the disinvestment by non-resident share holders will bring down the foreien shareholding in the company to less than 40 per cent from about 70 per cent at present, as required under FERA.

The proceeds of the rights issue amounting to about Rs 1.33 crores will be utilised to meet a part of the finance for the company's diversification and modernisation programme. The company has received the government's approval for diversification into the manufacture of sophisticated leather tanning and finishing machinery, certain types of foundry machinery and hydraulic presses. It has also embarked upon a large modernisation programme and is also expanding research and development facilities. The capital expenditure for the mauufacture of new products is estimated at Rs 93 lakhs and on research and development at Rs 32 lakhs. The modernisation of the plant is expected to cost about Rs 85 lakhs. The financial requirement will be around Rs 2.10 crores which is proposed to be met by the rights issue of Rs 1.33 crores mentioned above and the balance from internal resources and bank borrowings.

The management feels that on implementation of the various diversification plans, the company's turnover would increase by about 40 per cent in the next three years.

TAFE

Mr A. Sivasailam, chairman of the Simpson group of companies, visualises a bright future for the tractor industry and with this in view the company is expanding the production of tractors in its TAFE (Tractor and Farm Equipment) company to 15,000 from the existing 8,500 within the next five years. The company will introduce next year a new model MF 245 tractor based on the latest sophisticated technology for which a collaboration agreement has already been concluded with Massey Ferguson of Britain.

Mr Sivasailam proposes to phase out the production programme to make available alongside the new model as well as the existing models. To encourage ancillary industry to produce components for the new model, an all-India vendors' cenference was organised by the company as it believes in the advantages of bought out components which would in addition encourage ancillary industries both in the small-scale and medium sectors.

At present TAFE's existing models have 100 per cent indigenous components; 75 per cent in terms of value are bought out—50 per cent coming from the small sector. Mr Sivasailam estimates that there are about 243 suppliers of components. The new model, to start with will have 60 per cent indigenous component which he expects would increase to 100 per cent within a short time.

Wheelabrator Alloy

Wheelabrator Alloy Castings has fared better during 1977 with the turnover rising to Rs 88.25 lakhs from Rs 70.74 lakhs. It has earned a profit of Rs 13.57 lakhs against a loss of Rs 0.38 lakhs before providing for interest and depreciation. Interest claims Rs 13.48 lakhs (Rs 11.92 lakhs) and depreciation Rs 4.74 lakhs (Rs 4.78 lakhs). There is, however, a loss of Rs 4.69 lakhs against Rs 17.06 lakhs

With the aid of write-back amounting to Rs 13.77 lakhs. the deficit has been converted into a surplus of Rs 9.08 lakhs against the previous year's debt of Rs 17.66 lakhs.

The production of grinding media balls remined suspended throughout 1977 due to uneconomic prices. The production of steel casting also could not be undertaken due to paucity of funds for the installation of balancing equipment.

The company is approaching financial institutions for securing funds for balancing equipment.

The company has received permission to sell 14,500 equity shares to Mahindra Ugine Steel Company.

The offer for sales had come from the company's collaborator in order to dilute the alien holdings in the company to 40 per cent. The Reserve Bank of India has also approved the sale.

Vikrant Tyres

Vikrant Tyres hopes to commence trial production by the middle of 1979. The company was earlier expected to start commercial production by early 1976. The original estimate of the project was Rs 23.5 crores.

In view of the escalation in the cost of production, the final capital cost will be higher. The company will have an annual capacity to produce five lakh tyres and an equal number of tubes and 3,000 tonnes of camel back.

The land allotted to the company came under the purview of the Urban Land (Ceiling and Regulation) Act, 1976. After constant follow-up, the company could obtain only in July 1977 the necessary exemptions to mortgage the land in favour of the financial institutions and banks to secure the term loans sanctioned by them.

The Czechoslovakian machinery which was lying in packed condition in bonded warehouses in Madras port has now been shifted to Mysore (the plant site) except for a few heavy cases which are also expected to reach the site shortly. They will be opened and inspected before erection by the Czechoslovakian engineers who are expected to arrive shortly. Pending inspection, machinery valued at about Rs 34 crores has not been physically verified.

One of the two heavy duty bladder presses from the Soviet Union has already reached Mysore and the other one is on the high seas. The entire West German machinery is on site.

SYNDICATE BANK

Head Office: Manipal (Karnataka)

1977 - A Year of Fulfilment

	(Amount in Crores of Rupees) 1976	1977	Growth Rate
CAPITAL & RESERVES	5.92	6.50	—
TOTAL DEPOSITS	690.82	845.11	22.3%
TOTAL ADVANCES	500.63	560.37	11.9%
Of which Advances to Priority Sectors	222.82	254.20	14.1%
Total Working Funds	809.24	991.32	22.5%
Net Profit	1.83	1.92	—
Number of Deposits and Borrowing Accounts (In lakhs)	66.47	73.31	
Number of Personnel	16802	18703	
Number of Branches:	851	944	
Rural	334	384	
Semi Urban	215	231	
Urban	128	137	
Metropolitan and Port Town	173	191	
Overseas	1	1	
Regional Rural Banks sponsored by us	4	5	
No. of branches of Regional Rural Banks	55	159	

STATEMENT OF POSITION AS AT 31st DECEMBER 1977

(Amount correct to a rupee)

CAPITAL AND LIABILITIES		Rs.
Capital (wholly owned by the Central Government)		3,00,00,000
Reserve Fund	3,15,00,000	
Other Reserves	35,00,000	3,50,00,000
Deposits & Other Accounts		845,10,93,853
Borrowings from Banking Companies, Agents etc.		52,48,14,762
Bills payable		20,09,44,418
Bills for collection being bills receivable as per contra		61,95,06,283
Other Liabilities		66,89,99,197
Acceptances, Endorsements and other obligations as per contra		49,71,40,468
Profit and Loss:		
Net Profit	1,92,39,004	
Less: Amounts transferred to		
Reserve Fund	58,02,896	
Contingencies	1,11,50,000	
	1,69,52,896	
Balance to be transferred to Central Government		22,86,108
TOTAL		1102,97,85,089

PROPERTY AND ASSETS	Rs.
Cash in hand, with R.B.I., S.B.I. etc.	106,90,93,312
Balances with other Banks	6,99,42,592
Money at call and short notice	82,45,839
Investments in Govt. and other Trustee Securities	
Debentures, shares etc.	262,31,64,150
Advances - including Bills discounted and purchased	560,36,58,080
Bills receivable being bills for collection as per contra	61,95,06,283
Constituents' Liabilities for acceptances etc.	49,71,40,468
Premises etc. less depreciation	2,50,77,224
Furniture, Fixtures, Vehicles etc. less depreciation	4,82,25,807
Other Assets	46,50,21,200
Non-Banking Assets less depreciation	7,10,134
TOTAL	1102,97,85,089

Sundaram Finance Limited

37, Mount Road, Madras-600 006

Speech delivered by Shri T. S. Santhanam, Chairman, at the Twenty-fourth Annual General Meeting of the Company held on 12th June, 1978, at Madras.

Dear Friends:

I am happy to welcome you to the 24th Annual General Meeting of your Company. The Directors' Report, the audited Balance Sheet as on 31st December, 1977 and the Profit and Loss Account for the year ended 31st December 1977 have been sent to you and with your permission, I shall take them as read.

WORKING RESULTS

I am happy to inform you that your Company had another successful year of operation in 1977. The amounts advanced on hire purchase contracts during 1977 was higher at Rs. 1,572.25 lakhs as compared to Rs. 1,175.48 lakhs in the previous year.

The gross profit rose to Rs. 450.26 lakhs as against Rs. 414.72 lakhs in the previous year. The net profit before taxation amounted to Rs. 196.08 lakhs as against Rs. 172.22 lakhs. After providing for taxation and taking credit for the tax refunds, the balance available for transfer to Reserves and Dividends is Rs. 72.10 lakhs as against Rs 64.22 lakhs in 1976.

DIVIDEND

Your Directors have recommended a final dividend of 8% subject to tax, which including the Interim Dividend of 8% works out to 16% for the year 1977. The quantum of dividend is Rs. 24.00 lakhs for the accounting year 1977.

DEPOSITS

The Company suspended acceptance of fresh deposits from 1st March, 1977 as the level of deposits almost reached the limit fixed by the Company. However, as the business of the Company picked up, the limit of borrowing by way of deposits was raised from Rs. 14.00 crores to Rs. 18.00 crores at the General Meeting held on 18-11-1977.

The Company resumed acceptance of fresh deposits from 2nd January 1978 and the response from the public far exceeded anticipations. As the flow of further deposits could not be gainfully employed, the Company suspended acceptance of fresh deposits from 18th March, 1978.

AUTOMOBILE AND ROAD TRANSPORT INDUSTRY

During the year 1977, automobile manufacturers could not maintain production due to factors such as shortage of components and power supply. Commercial vehicle production in 1977 was lower than in 1976, though there was improvement in passenger car production. The demand for commercial vehicles picked up during the later part of 1977 and is good during the current year. The inability of automobile manufacturers to meet the demand has affected the Road Transport Industry. I trust that the vehicle manufacturers will maintain high levels of production and meet the requirements of the Road Transport Industry in the interests of the country's economy.

I had stressed the importance of public transport during the previous General Meetings of your Company and pleaded for a reduction in the tax levy on the Road Transport Industry. The Indirect Taxation Enquiry Committee, headed by Shri L.K. Jha, in its recommendations submitted recently to the Government, has stressed the need for a measure of uniformity in the rates of taxation of this industry by the State Governments with no further increase in the rates for the next 10 years. It has also suggested that the Centre should bring down the capital cost of vehicles by giving reliefs from input taxation. It has rightly observed that the loss in revenue will be more than made up by the increased contribution resulting from the augmentation of urban bus fleets and expansion of operations by small operators. The levy on the Road Transport Industry is, in fact, a tax on the vulnerable sections of the society and I appeal to the Central and State Governments to implement the recommendations of the Indirect Taxation Enquiry Committee by rationalising and scaling down the rates of duties and taxes on commercial vehicles.

CONSTRAINTS ON MOVEMENT OF GOODS

In spite of the recommendations of various Committees which have gone into the adverse effects of levies like the octroi and the working of checkposts, these constraints on free movement of goods continue in various places. The Jha Committee has also remarked that the octroi is a regressive duty, violates the principles of free flow of trade across local boundaries and encourages the concentration of industries in metropolitan areas. The Committee has recommended that the abolition of this levy should not be linked with the finding of alternate sources of revenue, but should be speeded up by removing the same in stages. I trust the Government will take necessary steps to implement this recommendation.

EXPENDITURE ON ROADS

The Government has spelt out its policy with regard to industrial development in our country. Stress has been la on the development of rur areas and the provision of em ployment to those residing villages. I have mentioned o earlier occasions that what w need to achieve these objectiv are, more roads, better roa and better surfacing of road Only a well-planned system roads will open the vast rur areas to the main stream of ou economic activities and th bring about greater emplo ment and development. It necessary for the Governme to allocate more funds for t laying of new roads and t maintenance of existing roa to realise their objective achieving rural developme and rural employment. I tru the Union and State Gover ments will give due importan to roads during the next pl period.

PROSPECTS

The payments under hire pu chase contracts during the fi five months of 1978 amount to Rs. 460.24 lakhs compar to Rs. 636.62 lakhs during t corresponding period in 197 We had good agricultural se sons during the past two yea and more funds are bei made available to the Ro Transport Industry by banl financial institutions, hire pu chase companies and financie The demand for vehicles w continue to be good during t year and if the supply of co mercial vehicles improves d ing the coming months, yo Company hopes to do good bu ness during the second half the year.

ACKNOWLEDGEMENT

On behalf of the Board Directors, I am happy to pl on record my appreciation the good work done by Company's staff—in the fi as well as in the Office. I a wish to express my sinc thanks, on behalf of yo Company, to all the deposit and customers for their co tinued support. Finally I tha all the members present making it convenient to att the Meeting.

This does not purport to b record of the proceedings of Annual General Meeting.

SAA/SFI/3

Indian Bank

HO: 17 North Beach Road Madras 600 001

Annual Report 1977

CAPITAL AND LIABILITIES

As at 31st Dec. 1976 Rs.		As at 31st Dec. 1977 Rs.
3,00,00,000	Capital	4,00,00,000.00
2,16,29,044	Reserve Fund and other Reserves	1,73,29,043.53
481,33,59,114	Deposits and other Accounts	618,31,35,504.64
38,01,97,545	Borrowings from other Banking Companies, Agents, etc.	30,52,72,978.65
10,94,75,321	Bills Payable	15,22,13,700.66
24,07,60,567	Bills for collection being Bills Receivable— As per contra:	33,85,43,223.96
11,23,67,800	Other Liabilities	19,37,72,486.36
24,67,58,437	Acceptances, Endorsements & other obligations— per contra	31,38,06,717.14
	Profit & Loss	
	Profit for the year	
	2,28,70,758 1,30,24,350.47	
	Less:	
	Transfer to Reserve Fund	
	1,68,00,000 57,00,000.00	
	Transfer to Contingency Account	
	40,00,000 53,00,000.00	
20,70,758		20,24,350.47
595,66,18,586	Total	754,60,98,005.41

PROPERTY AND ASSETS

As at 31st Dec. 1976 Rs.		As at 31st Dec. 1977 Rs.
46,07,57,259	Cash	73,00,09,554.44
1,77,86,600	Balance with other Banks	1,88,59,506.58
2,09,82,500	Money at Call & Short Notice	1,36,38,851.32
136,94,54,588	Investments (At cost)	185,02,73,503.46
337,69,79,471	Advances	398,41,12,738.03
24,07,60,567	Bills Receivable being Bills for Collection—As per contra:	33,85,43,223.96
24,67,58,437	Constituents Liabilities for Acceptances, Endorsements and other obligations— per contra:	31,38,06,717.14
1,13,80,979	Premises Less Depreciation	1,54,70,051.06
4,23,281	Buildings under construction	23,21,496.02
3,81,59,590	Furniture & Fixtures etc. Less Depreciation	4,81,29,491.30
17,31,75,314	Other Assets	23,09,32,872.10
—	Non Banking Assets acquired in satisfaction of claims	—
—	Profit & Loss	—
595,66,18,586	Total	754,60,98,005.41

A plan of action for cement industry

These are extensive extracts from a background paper, prepared for a workshop on "Towards Self-Sufficiency in Cement", held by the Cement Manufacturers' Association in New Delhi earlier this month. This study discusses the measures needed for increasing production at existing plants and promoting investment in new units and speeding up the implementation of these projects.

IN THE fifth five-year Plan, the targets of capacity and production of cement were fixed at 23.14 million tonnes and 20.80 million tonnes respectively, but the actual achievements fell far short of these targets (Table I). The addition to capacity was about two million tonnes from 19.76 million tonnes in 1973-74 to 21.70 million tonnes in 1977-78, the growth being only 2.4 per cent per annum on average. The availability position during the last four years from 1974 to 1977 (Table II) reveals that the annual rate of demand growth was about 13 per cent in 1975 and 1976. If the unsatisfied demand in 1977, estimated at two million tonnes, is also taken note of, the growth rate in that year also works out to about 13 per cent.

High Demand

Even assuming a modest growth rate of demand of eight per cent over 1977-78, the demand by 1982-83 works out to 30.5 million tonnes (Table III). At 85 per cent capacity utilisation the total capacity required to meet the demand in full is 35.9 million tonnes. Thus, an additional capacity of the order of 14.2 million tonnes would be required to attain self-sufficiency by the end of the sixth Plan.

With continuing shortages year after year we will have to forego the export markets which were built at considerable cost. Instead, we are now confronted with the situation of having to import cement to augment supplies for the domestic market by paying Rs 200 more per tonne than for indigenous cement.

Additional Capacity

It is understood that the government has cleared various projects for installation of additional capacity liberally either by expansion of existing units or by setting up of new units. It is not unlikely that some of the projects anticipated to materialise by 1982-83 may not come up due to one or the other difficulty. It is imperative to ensure that no slippage occurs out of the approved projects.

The installation of additional capacity of the order of 14.2 million tonnes would require investment of about Rs 1,000 crores and the promoters' contribution from industry's own resources would be about Rs 200 crores. Besides this, quick and expeditious availability of institutional finance for the plan would also be required. Substantial infra-structure facilities (Table IV) will also be required.

The principal reason for capacity lagging far behind the growing demand has been the unrealistic pricing policy of the government and this fact is recognised in the sixth five-year Plan which points out that "one of the main reasons for sluggish growth of the industry has been the unremunerative low level of retention prices fixed for the cement industry". The installation of additional capacity would only be possible if a realistic and liberal pricing policy is adopted by the government to stimulate generation of internal resources. The institutions will also have to recognise the national priorities in sanctioning and disbursing quickly the requisite term loans for the cement projects.

Better Technology

Various other measures will have to be adopted to maximise the production of cement like adaptation of better technology by the installation of pre-calcinators, conversion from wet to dry process wherever feasible, installation of balancing equipment for creating additional capacity of the existing units, making arrangements to granulate the entire slag available and make it available for grinding, setting up of split location plants for better use of slag, flyash and other pozzolanic materials, setting up of mini cement plants in inaccessible or backward areas to exploit smaller limestone deposits etc.

To meet the growing demand and to assist the government in whatever way possible the industry has done its best to produce the maximum from the existing capacity as would be seen from Table V. During the three year period, 1973-75 the capacity utilisation ranged between 73.4 per cent and 78.5 per cent. As against this the utilisation in 1977 has been as high as 90.5 per cent which should be considered as exceptionally good. The continuous utilisation at such high level could only be ensured by continuous rehabilitation and modernisation of the plants.

Huge Investment

A standard size cement project would require an investment of the order of Rs 2 crores which cannot be raised by a middleman entrepreneur. Government has therefore encouraged large industrial houses to enter the field. In this context it is a moot point to consider whether industrial licensing is at all necessary. Should registration be necessary, government can lay down certain guidelines based on which an entrepreneur can be registered for a particular project.

As a cement project involving investment of Rs 26 crores or more, the new entrepreneur is required to obtain MRTP clearance. Cement being already in the core sector of priority nature, government can dispense with this formality.

The cement industry need

small portion of its entire ments to be imported. a large foreign exchange e and the imperative for speeding up installaof additional capacities, import of capital goods already been liberalised. ite such changed circumces, clearance has to be ed and it takes time.

may be incidentally mened that cement projects considerably delayed be- of late delivery of plants machinery due to nonlability of heavy castings/ tricals/instrumentation and er items. To curtail the lag it is suggested that ort licences for Rs 80 lakhs Rs 90 lakhs for a 1,200 TPD nt or five per cent of the ital cost be given to the ent manufacturer instead of machinery manufacturer.

Government has laid down tain guidelines for issue of ital and no prior permisn is necessary when the ue involved is up to Rs 50 lakhs. Every issue of capital for the cement industry is likely to be far above Rs 50 lakhs and in the interest of reducing the time lag of implementation of the projects, could these guidelines be suitably modified and the companies undertaking cement projects be exempted from CCI's prior approval in case they work within such guidelines ?

The most important aspect for installation of additional capacity is the requisite sanction of term loans from the financial institutions very expeditiously. It has been the experience of the industry that it takes an unduly long time of about a year from the time of submission of the complete project report to the actual sanction. Disbursement thereafter takes another six months or so. The institutions need to be told by government of the national priorities and expeditious procedures laid down so that the projects are cleared within a period of 4 to 6 months. This would be only possible after the institutions are assured by the government of a fair return to the industry and its capacity to repay the borrowings according to well laid down financial norms.

The procedure needs to be streamlined. Each of the three institutions (IDBI, IFCI & ICICI) could take lead in a particular region. The borrower may deal with only one lead institution and such institution may enter into arrangement with the other institutions including the LIC and UTI, for participation in the amount and risk of the loan. This arrangement will work on the same lines as the reinsurance scheme. In effect, the entrepreneur will have relationship with one institution only and this would reduce the period of appraisal and sanction materially.

For the capital intensive project like cement, the institutions should consider allowing a debt equity ratio of 4:1, as has been done in the case of shipping and fertilisers etc.

One of the inhibiting factors has been the inclusion of convertibility clause in sanction for term loans. Recently the government had withdrawn such clause in the case of soft loans. It is desirable that the requirement of convertibility clause be altogether dispensed with.

Terms and Conditions

The terms and conditions of sanction of loan provide for many matters like deposits from the public, remuneration payable to the working directors, etc, which are covered by the provisions of the Companies Act and are subject to the approval of the Company Law Board. Such matters should continue to be governed by the company legislation and the loan agreement should not impose any further restraints on such matters.

After sanction of the loan, the disbursement is dependent on completion of various documentation formalities and compliance of various conditions, which take normally six months. These needs to be shortened to 6/8 weeks. Invariably, these compliances take a long time and- on the other hand, the entrepreneur needs the money badly for giving a good start to the project and thus the institutions are requested to give the bridge loan. The institutions insist on bank guarantee for such bridge loan. This costs one per cent by way of guarantee commission and the institutions charge interest at one per cent above their normal lending rates. The format of bank guarantees has also become

TABLE I

Growth and Development of the Industry During the First Four Five-Year Plans and During Each Year of the Fifth Plan

(million tonnes)

	Capacity		Production		Shortfall in	
	Target	Achievement	Target	Achievement	Capacity	Production
irst Plan (ending (1955-56)	5.31	5.02	4.80	4.60	—0.29	—0.20
econd Plan (ending 1960-61)	16.00	9.30	13·00	7.97	—6.70	—5.03
hird Plan (ending 1965-66)	15.00	12.00	13.00	10.82	—3.00	—2.18
ourth Plan (ending 1973-74)	21.50	19.76	18.00	14.67	—1·74	—3.33
ifth Plan* (1978-79)	23·14	—	20.80	—		
974-75	—	20.06	—	14·81		
975-76	—	21.16	—	17.30		
976-77	—	21.65	—	18.85		
977-78	—	21.70	—	19·10		

*The fifth Plan was in force only for four years as it was terminated by the financial year ended March 31, 1978.

matter of debate between e bank and the institutions. would therefore be proper format of guarantee is andardised jointly by the stitutions and the banks, ceptable to each other. It also a matter for considera- on whether the institutions aving satisfied with the pro- ct give this bridge loan ithout insisting on bank uarantee and at their normal ate of interest.

Sluggish Market

As the capital market conti- ues to be sluggish the promo- er is forced at the instance of he institutions to ensure in- vestment in the project by way of shares or deposits, which are subjected to various restric- tions and prior approvals under the Companies Act. In view of the heavy invest- ment required, some relaxa- tion by the department of Company Affairs could be considered, where such inter- corporote investment in the form of shares or deposits or loans is required to be made, with the approval of the financial institutions.

Clearance from Coal India Limited, in regard to supply of coal and clearance from the railways for transportation of raw-materials and cement are required to be obtained. Com- mitment for supply of electric power for the cement project has to be obtained from the state electricity board. Diffi- culties in making electric power available pose prob- lems and in some cases, pro- jects have been delayed.

The railways have to survey, sanction and actually lay down the railway sidings. The ministry of Railways could consider ways and means to expedite the provision of such sidings.

The sanction of prospecting licences and mining leases as also acquisition of land fall within the purview of the state government. To en- courage new industries in its own state, promises are made for immediate allotment of land and sanction of prospect- ing licences and mining leases. It has, however, been seen that the actual sanction/execu- tion of mining leases and land acquisition proceedings take quite a long time. There is scope for improvement.

Economic Size

The concept of economic size of the cement plant keeps on changing. The Tariff Commission in 1974 observed that the general consensus of technical opinion was in favour of 1200 tonnes per day (TPD) or 400,000 tonnes capacity plant being taken as economic size of the plant. The pre- sent idea is to go in for higher capacity plants to take maximum advantage of economies of scale. Thought is being given for setting up plants of the size of 3000 tonnes per day with pre-cal- cinators. This is a matter for consideration whether the plants of this or higher capa- city could help in expeditious installation of additional capa- city at economic cost.

Causes of Delay

The cement projects are considerably delayed due to long delivery period of plants and machinery consequent upon non-availability of heavy castings / electricals/instrumen- tation and other items. The time lag could be consider- ably reduced if the suggestion made regarding import licence for five per cent of the capital cost of a plant or Rs 80 lakhs to Rs 90 lakhs for such items of a 1,200 TPD plant is found acceptable.

The government's decision to encourage setting up of mini cement plants is welcome. This would help exploit the small limestone deposits in the country and supplement cement production. In this connection the Tariff Commission in 1974 observed that "Even though the normal trend should be to have plants of bigger and bigger size, it does not obviate the necessity of having to put up small plant in special circum- stances, geographical or other- wise, where plants of bigger size may not be that appro- priate." Viewed from this angle, hilly or inaccessible areas where the demand for cement is small but the trans- port cost of cement supply even from the nearest existing unit is prohibitive or very high, would be the ideal location for mini cement plants.

Apart from the installation of additional capacities have been considered, the country has also to ensure that there is no loss of production from the existing units, which are already working at a very high capacity utilisation of 90.5 per cent. Efforts have also to be made to balance such capacities and maximise output therefrom. It is common knowledge that the rigid price control over the last many years has affected the cement industry. For nearly five years from April 1969 the industry received a retention price of only Rs 100 per tonne of cement, despite substantial

TABLE II

Estimate of Cement Availability from 1974 to 1977

(lakh tonnes)

Year	Cement production	(Less)	Exports	Cement available for indigenous use	% increase
1974	142.70	(—)	2·58	140.12	
1975	162.10	(—)	3.66	158.44	13.07
1976	186.30	(—)	7.71	178.59	12.72
1977	190.80	(—)	8.07	182.73	2.32

TABLE III

Cement Demand during the Sixth Plan Period and Capacity Required to Meet it in Full

(million tonnes)

Year	Demand of cement at an annual growth rate of 8%	Capacity required at 85% utilisation
1978-79	22.4	26.
1979-80	24.2	28·
1980-81	26.1	30·
1981-82	28.2	33.
1982-83	30.5	35.

allround increases in the operat ing cost of cement during th period, except for a smal interim revision of Rs 10 pe tonne made from Septembe 15, 1973. It was not unti August 2, 1974 that goverr ment gave a substantial increas in the retention price raising to Rs 134.20 per tonne (exclu sive of selling expenses of Rs 3 The inerease, however, wa given only prospectively wit the result the entire incidenc of the increases during th period upto August 1974 ha to be borne by the industr itself. Consequently, a numbe of units were making losses ti 1974.

The financial working of th cement industry has therefo

een satisfactory. It could et even a meagre return of r cent on capital employed ged by the Tariff Com- on. Many of the high nits have been at a great vantage and some of them on the verge of sickness. main reasons for the high of these units are: high port costs of limestone coal due to long haulage, roportionately large labour due to the nature of lime- e deposits or age and type he plant and machinery, and cess surcharge/tax on royalty on limestone and high power tariffs in ain states.

ital Factor

Government did not accept Tariff Commission's recom- dation to grant a rehabili- on allowance of Rs four per ne of cement to producer's a "compelling necessity", ch was of vital importance he cement industry. The ustry could not generate quate resources nor could ttract fresh investment from capital market for rehabili- on/modernisation of its old d worn out plant and equip- nt or installation of fresh pacities. The recently intro- ced surcharge of Rs 30 per ne of non-priority items of el to raise funds for rehabili- ion of steel industry is a ve in the right direction and me such provision built into e retention price of cement ems imperative and overdue.

The IDBI has announced a heme to make available soft ans at concessional rates of terest for rehabilitation/ odernisation, among others, f old cement plants. Fourteen roposals have been submitted nder this scheme to the IDBI pto February 28, 1978 for a tal amount of Rs 85 crores. Six applications have been sanctioned so far for a total amount of Rs 27.32 crores but only Rs 2.30 crores have been disbursed till May 15, 1978.

Additional Burden

While the soft loan scheme helps the industry in financing the rehabilitation programme it does not solve the problem of viability. With the heavy expenditure on rehabilitation being incurred now, such units will have to generate sufficient funds in future to be able to repay the borrowed amounts. They will have to bear additional interest and depreciation charges. This aspect has not received attention so far. The question of providing promoters' contribution is also a problem for older units having hardly any internal generation and therefore in the interest of maintaining and increasing output from existing units, the requirement of promoters' contribution need to be substantially reduced.

Increased production of slag cement is in the national interest since it finds an economic use for slag which is an industrial waste at the same time putting to productive use surplus grinding capacity in the industry which presently is estimated to be of the order of one million tonnes. Also there is a distinct advantage in encouraging establishment of additional grinding units for the production of slag cement as this can be done in about half the time required for installation of capacity for ordinary portland cement.

Expansion of the existing granulation facilities particularly at Bhilai and installation of such facilities at Bokaro steel plant to utilise the entire slag available, linkage of slag capacity with cement units/ grinding plants on long term basis, liberalisation of the present extent of reimbursement of freight on slag/clinker etc,, would result in stepping up cement production by about 2 million tonnes by 1981.

In Table VI is given the likely availability of molten slag by 1981-82, the existing capacity installed or being installed for granulation and the additional capacity required to be installed for granulation. (The figures are approximate.) This installation of additional granulation capacity to fully utilise the molten slag should command the highest priority.

With a view to encouraging increased production of slag cement, in February 1976, government agreed to reimburse transport cost of clinker and slag from approved sources of supply to grinding plants provided the movement is in the logical forward direction. But the reimbursement is limited to the resultant saving in the distribution cost of cement, which is inadequate. The industry, therefore, is not able to take advantage of the

TABLE IV

Infrastructure and Limestone Requirement of the Industry for Production of 30.5 Million Tonnes of Cement by 1982-83

Item	Unit	1982-83
(i) Power consumption 120 units p/t	Million units	3,660
(ii) Wagons (70% movement)	Nos	9,70,455
(iii) Coal (33.3% consumption)	Million tonnes	10.16
(iv) Limestone (1.5 tonnes consumption)	Million tonnes	45.75

Note: Simultaneously, cement movement by road will have to be substantially stepped up.

TABLE V

Capacity Utilisation of the Cement Industry from 1973 to 1977

(Million tonnes)

Year	Installed/Rated capacity	Production	Capacity utilisation %age
1973	19.21	14.96	77.9
1974	19.45	14.27	73.4
1975	20.63	16.21	78.5
1976	20.67	18.63	90.1
1977	21.23	19.08	90.5
Total	101.19	83.15	82.17

scheme and it is necessary to liberalise the freight reimbursement formula and make it also applicable to flyash and other pozzolanic materials.

Flyash and other pozzolanic materials could be used for augmenting cement production, provided reimbursement of freight is liberally available on these materials also.

Scarce Resources

Phospho-gypsum and carbonate sludge which are produced as waste material in fertiliser plant can also be usefully employed by the industry replacing natural gypsum and cement grade limestone respectively. This would help conserve scarce resources in the country. The limitations however are that phospho-gypsum needs certain processing to reduce the level of contaminants to make it suitable for being used in place of natural gypsum, and that carbonate sludge can be used only in wet or semi-wet process cement plants.

Power cuts of varying degrees and duration continued to be an annual phenomenon. To supplement power during power shortages many cement units have initiated steps for installation of captive power generators. But the cost of diesel-generated power is much higher than that of the purchased power. The industry volunteered to bear a part of this additional cost and requested reimbursement at 40 paise per unit for existing sets, equivalent to Rs 48 per tonne of cement and 46 paise per unit for new generating sets, equivalent to Rs 55 per tonne of cement. But government's formal orders on this issue are still awaited. If the assistance is made available, many more units are keen to instal captive power generators and such installations can be completed within 6/12 months and would give the country an additional output of half a million to one million tonnes of cement. (This would help to relieve the scarcity and reduce the import of cement presently taking place at a price of nearly Rs 200 per tonne more than that of the indigenous cement.)

The banks/financial institutions and state industrial development corporations should provide finance on soft terms for purchase of new or second-hand generators and boilers. Restrictions, if any, on the import of power generators need to be removed and applications for import of such equipments processed urgently.

Coal is used by the cement industry as a fuel. It is also an important raw material used in the process of cement manufacture. From this angle, qualitative supply of coal is very essential. The industry continues to get mostly lower grade coal as against its requirement of Grade I slack coal. This poses operational difficulties, increases coal consumption and impairs efficiency.

Since December 1977 the cement works have been experiencing difficulties in getting full wagon supplies for cement despatch due to shortage of covered empties in the railway network. Some of the cement works were compelled to load open wagons at producers' risk, which has resulted in considerable loss in despatches. The indications are that wagon supply for cement despatches may continue to remain unsatisfactory for some time.

As regards the transport of coal, at certain points particularly the feeding of coal for factories in Saurashtra, the wagon supply continues to be critical.

Press report indicate t
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needs to be continued.

TABLE VI

Likely Availability of Slag by 1981-82 etc.

(in lakh tonnes)

	1981-82 Availability		Capacity installed or being installed for granulation	Expected production at 85% utilisation (85% of 3)	Possible increase in production of granulated slag (2—4)	Addl. capacity required for granulation at 85% utilisation ($5 = \frac{100}{85}$)
	Molten slag	Granulated slag equivalent (75% of 1)				
	1	2	3	4	5	6
Bhilai	16.00	12.00	9.50	8.08	3.92	4.61
Rourkela	11.20	8.40	6.00	5.10	3.30	3.88
Durgapur	8.25	6.19	4.00	3.40	2.79	3.28
Bokaro	22.80	17.10	13.50	11.47	5.63	6.62
TISCO	8.50	6.38	4.40	3.74	2.64	3.11
IISCO	5.95	4.46	1.00	0.85	3.61	4.25
Total	72.70	54.53	38.40	32.64	21.89	25.75

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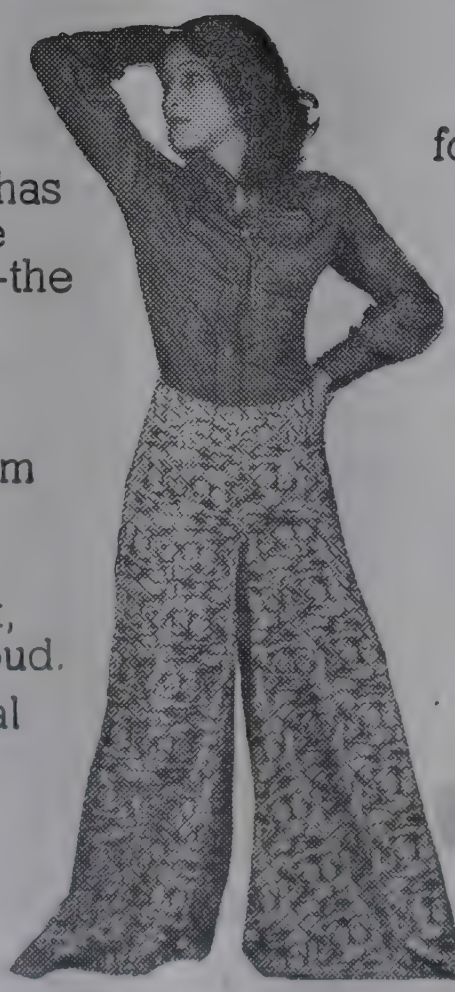

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The Consortium is pleased

THE AID-INDIA Consortium which met in Paris three weeks ago pledged as much as $2,431 million by way of aid for the current year as against $2,101 million last year. In view of the likely hike in prices in the coming months, the increased allocation will imply maintenance of aid at the preceding year's level in physical terms. According to Dr Man Mohan Singh, leader of the Indian delegation, the two-day deliberations at Paris were a pleasant experience for him as there was no discordant note and the consortium was impressed by this country's management of the economy last year. The swelling foreign exchange reserves, rising inventories of foodgrains, liberal import policy, curb on inflation and the new development strategy for the rapid regeneration of the rural sector seem to have pleased the member-countries of the consortium.

Since the foreign exchange reserves of this country currently stand at Rs 4,640 crores (excluding gold and SDRs), the question that has been posed by some commentators is as to why we continue to seek foreign aid, especially when we have not been able to draw down our own reserves with a very much liberalised import policy. It will certainly be a big moral booster for an average Indian to know that the country is completely self-reliant and that we no longer need any foreign assistance but is this the right time to take this drastic decision? From all indications it is clear that it will not be prudent on our part to take such a far-reaching decision at this juncture. For instance, the draft of the Plan for the period 1978-83 has indicated that this country would need foreign assistance as a catalytic agent for the promotion of the development of the economy. An assessment by the World Bank has also endorsed the viewpoint of the Planning Commission. Turning down foreign assistance would not be difficult and there would be many other countries which would like to take the place of this country regarding the receipt of aid but if, after a few years, we try to seek aid after having encountered a difficult period, our entry into the aid club might not be easy as our place would have been taken up by some other countries. What is more, it will be in the long-term interests of this country to enjoy an easy position in regard to the foreign exchange reserves so that the development efforts do not suffer due to paucity of foreign exchange. The consortium's willingness to extend assistance to this country is proof of the fact that the rich countries are not weary of assisting the poor countries especially if the aid is used fruitfully as is the case with our country. That in the continuance of this aid the rich countries have an element of self-interest cannot be disputed.

While Dr Man Mohan Singh succeeded in convincing the members of the consortium that the economy of this country was poised for rapid growth, it is not known how far the infighting in the Janata party in recent weeks will operate as a destabilising factor. The Finance minister, Mr H.M. Patel, has also pointed to the favourable trends in the economy. Inaugurating the Gujarat branch of the Indo-American Chamber of Commerce recently, Mr Patel expressed the view that the savings in the economy and the promised external assistance would ensure the availability of resources for the implementation of the planned projects. Granted that power shortage, deterioration in industrial relations, absence of capacity in certain industries and lack of demand in certain others had slowed down the rate of industrial production last year, Mr Patel pointed to the drawing down of inventories in many industries which, in his view, was an indicator of increased consumption. He also listed the various steps which the government was taking to increase the supply of power, cement etc. so as to improve the performance of industry.

Much however depends upon the cohesion in the ruling party which is sadly lacking at the time of writing despite the sincere efforts of certain leaders to bring about amity among the warring groups. Though there is no imminent danger of the Janata party breaking up but the persistent dissensions are bound to have an adverse effect on the working of different ministries, especially those dealing in economic affairs. Instability in political affairs cannot fail to disrupt the functioning of the economic departments.

Spurt in the sale of units

FOR THE first time in the life of the Unit Trust of India (UTI), the units have caught the imagination of the investors. Their sale is expected to be as high as Rs 70 crores in the current year (ended June 30, 1978). This signifies a big jump in the UTI's operations from sales worth Rs 28.97 crores in 1975-76 and Rs 34.69 crores in 1976-77. The ministry of Finance in its annual report for 1977-78 has stated that the UTI "entered a new era in its history during 1976-77" because the sale of units improved by about six crores of rupees. Now that 1977-78 is expected to record an expansion in sales by Rs 35 crores signifying 100 per cent growth, the phrase-makers in the ministry of Finance will have to invent far more colourful imagery.

The board of trustees of the UTI met recently at Srinagar (Jammu & Kashmir state) to review the working of the institution. In keeping with the policy of the UTI to hold such meetings in different state headquarters every year, the latest one was held in the capital of this northern state of the country. Ironically, the state of Jammu & Kashmir was selected for the annual get-together in a year when the UTI had registered unprecedented success but to which the contribution of the host state was negligible. This financial institution has still to make a mark in this state in regard to the popularisation of units as a mode of investment for savings.

new trend

The new trend in the working of the UTI, it seems, is the result of a number of measures initiated by the government. First among these is the squeeze on the deposit mobilisation of the private sector companies. Even though the condition to reduce the value of company deposits from 15 per cent to 10 per cent of paid-up capital plus free reserves has been made applicable with effect from April 1, 1979, most of the companies have stopped accepting fresh deposits and steps have been taken by them to reduce the liabilities in this regard so as to reach the stipulated level at the beginning of the next financial year. Also, the companies inviting fresh deposits have been asked to state in their advertisements that they have no overdue deposits other than unclaimed deposits. It implies that companies which have "overdue deposits", cannot hope to mobilise fresh deposits even if their deposits form less than 10 per cent of paid-up capital and free reserves. Consequently, some funds have been released by the reduced deposits of the companies and also by the restrictions on new deposits; a part of these funds has landed in the UTI through the sale of units.

change in interest rate

The second important reason for the popularity of the units has been provided by the changes in the interest rates announced by the Finance minister, Mr H.M. Patel on February 28, 1978. These alterations seem to have assisted the UTI in attracting a part of the savings which normally would have been received by the scheduled banks under their fixed deposit schemes. Till the end of February this year, the scheduled banks were offering 10 per cent rate of interest for deposits for periods above five years. What is more interesting, the interest was compounded monthly and the banks were issuing yearly interest receipts so that the depositors could avail themselves of the exemption allowed under the Income-Tax Act each year. In this way, the depositors not only got higher interest rate on deposits but also saved on income-tax on accumulated interest after the expiry of the period.

The new rates altered the picture completely. The rate of interest for deposits for periods above five years was lowered to nine per cent and the banks were asked to compound this interest not at monthly intervals but at quarterly intervals. Also, the cumulative interest in the case of thes depositors would be taxed on the date o maturity of the deposit and the depositor would not be able to claim exemptio from income-tax on yearly basis.* I appeared that this step had been taken i order to make the new five-year savin bonds more popular. All the incentive which the long-term fixed deposits wit the scheduled banks before February 28 1978, enjoyed were provided in the ne saving bonds.

saving bonds

It is not known at the time of writin how much increase in investment ha taken place in the case of the savin bonds because of the preferential treat ment accorded to them, but it did creat some confusion in the mind of the savin families which had got used to put ting their savings in the fixed deposits o scheduled banks. Even though the savin bond also provides the facility to draw loan during the five-year period if th need arises, yet the saving families some how have a prejudice against such bond floated by the government. They have fear that the process of drawing a loan o these bonds may be more tortuous than i the case with the fixed deposit receipt taken from the scheduled banks.

It seems that the increased dividen declared by the UTI in 1976-77 at nin per cent as against 8.75 per cent in 1975 76 has been instrumental in attractin some persons to the UTI. Also, the unit of the UTI provide another facility They are encashable speedily though at discount. In the view of the averag investor, the investment in units is mor liquid than the investment in the savin bonds. The raising of the income-ta exemption limit in units from Rs 3,000 t Rs 5,000—a measure taken in January 1975—also came in handy. While incom up to Rs 3,000 from units and othe approved investments was exempt fron income tax, the additional income fron units alone up to Rs 2,000 a year was als made exempt from income-tax. While i 1975 it did not result in significantl increasing the flow of funds to the UTI in the recently changed investment scen

*According to the latest circular of the ministr of Finance, the interest for each year will hence forth be taxed as income accruing in that yea For details, see Trade Winds', page 1278.

units seem to have become more tive for this reason as well.

us, for the security-conscious tor, who is content with an annual est of nine to 10 per cent on his sav- three major options are open today; are (a) units of the UTI, (b) fixed sits for more than five years in duled banks, and (c) saving bonds. ong all these, the most attractive are saving bonds but poor publicity and wooden behaviour of the postal clerks ealing with the public are big negative ors. As stated earlier, the average stor does want to have the option of ing a loan, if need be, during the iod of the deposit but shudders to nk of the hardship he will be put to by rigid, unimaginative and disinterested rks of post offices. Even the scheduled nks have been authorised to sell the ing bonds but the bank managers are derstandably lukewarm to their sale. ey are more keen to attract deposits for eir banks which can earn them promo- n and other benefits.

Some depositors might continue to tronise the scheduled banks, but the sence of the income-tax exemption facility on yearly interest accrual will be a big deterrent. In the midst of the disquiet caused by the lowering of the interest rates and various other factors, the UTI has emerged as a winner. Its dividend at nine per cent for 1976-77 has proved a big attraction. Mr G.S. Patel, chairman of the UTI, is reported to have stated at Srinagar that the UTI hoped to maintain the dividend in the current year as well. For a long time the UTI had not been able to show any substantial appreciation in the value of the units but during the past one year, there has been some capital appreciation as well and this has been a factor which has assisted the UTI in increasing the scope of its operations. The ruling sale price and repurchase price of the units at Rs 12.80 and 12.40 each respectively are the highest for the last 14 years. While the "prudent and careful investment policy" of the UTI raised its dividend along with some capital appreciation, this change came at a time when the savers were looking for alternatives to long-term deposits in scheduled banks. A move which was supposed to make the saving bonds more popular, came as a godsend to the UTI.

Borrowing with ease

THE RESERVE Bank is obviously keen on pursuing a new policy in respect of borrowing through loans and bonds by the central and state governments, financial corporations and state electricity boards. The decision taken in May to increase the cost of borrowing for the central government, when three new loans were floated and subscriptions realised for Rs 550.02 crores, is being logically followed. The issue of bonds by the Industrial Finance Corporation for Rs 30 crores was on the revised basis and the interest rate was higher at 6¼ per cent with the issue price at par. In December last year these bonds were offered for public subscription at six per cent with the issue price at a discount of one per cent. The institutional investors naturally welcomed the opportunity for deploying surplus funds more remuneratively and the list was heavily oversubscribed. The Industrial Development Bank also has pursued a similar policy and 6¼ per cent bonds for Rs 65 crores have been successfully floated, the issue price being fixed at par. Both the financial corporations could exercise their right to accept subscriptions up to 10 per cent in excess of the notified amount. In view of the growing investible funds of the scheduled commercial banks, Life Insurance Corporation and provident funds, the general disposition would have been to cheapen the cost of borrowing and take full advantage of the opportunity for securing resources in an easy manner.

The Reserve Bank however has chosen to adopt a different strategy, the meaning of which is not quite clear. After the adjustments in lending and deposit rates of scheduled commercial banks earlier this year, following the abolition of the levy on interest income from advances of bank, it was generally expected that there would be an orderly retreat, albeit mildly, from dear money. The expectations in this regard have not materialised and the bank rate has remained unchanged at nine per cent. After the issue of the long-dated loan carrying interest at 6¾ per cent at par by the central government and the subsequent issue of bonds at 6¼ per cent, it is improbable that there will be any downward revision of the bank rate. The announcement of three new loans by the central government in its third phase of borrowing through open market loans for the current financial year lends further confirmation to the view that the monetary authorities are intent on restructuring interest rates, although in a haphazard manner.

the third tranche

There was no indication when reissues of three central loans were effected for Rs 200 crores that the six per cent basis would be discarded and the Reserve Bank would advise the government to issue only loans carrying higher rates of interest. The third tranche of borrowing by the central government has initiated a new move for readjusting yields in respect of medium and long medium dated loans. The loans concerned are: 6¼ per cent 1993 loan, 6½ per cent 2001 loan and 6¾ per cent 2006 loan (second issue). As the 6¼ per cent 1995 loan was issued at par on May 15, the issue price for the new loan having a duration of 15 years has a premium of ¼ per cent. The remaining two loans have been offered at par. Since the long-dated loan is on an unchanged basis, the attempt would seem to be to revise the yield basis without jerking prices for existing loans through adjustments in selling rates by the Reserve Bank.

Theoretically, however, a depreciation in the value of lower interest bearing securities cannot be avoided even if the Reserve Bank suspends open market sales in earlier six per cent and 6½ per cent securities. The issue of 6½ per cent loan 2001 at par has come as a surprise in money market circles. For in the previous two years the monetary authorities were anxious to cheapen the cost of borrowing by lengthening the duration of 6½ per cent and 6¼ per cent loans and issuing also 5¾ per cent loans. Thus in

75 6½ per cent 2003 loan was issued at r in July and reissued again in Decem- r 1976. Only in June last year 6½ per nt 2004 loan was offered at par and ter in October 6½ per cent 2005 loan as made available also at par. This pro- ess clearly indicated that there was re- hinking about the mode of borrowing nd anxiety to lower the yield on medium nd long-dated securities.

calculations upset

This policy encouraged many banks to ncrease the proportion of long-medium and long-dated securities in investment portfolios. It was thought that the average return on investments could be increased in this manner ensuring at the same time scope for appreciation in the value of the securities, if there was a reduction in the bank rate and a mild retreat from dear money. The calculations in this regard, however, have been rudely upset by the moves of Reserve Bank in recent weeks. For the first time in the past few years, no six per cent loan has been offered for public subscription and the latest tranche consists only of 6¼ per cent, 6½ per cent and 6¾ per cent loans.

In view of the compulsion to effect regular investments in gilt-edged securities it is not surprising that the issues of bonds by the Industrial Finance Corporation and the Industrial Development Bank have been over-subscribed and the Reserve Bank has also been effecting regular open market sales of securities though its operations are being effected in a manner which suggests that it is not clear about what should be the level of prices for long-medium and long-dated securities.

The confusion in the gilt-edged market may disappear after some time though institutional investors may experience difficulty in adjusting depreciation in the value of securities. The central government, however, will be completing comfortably its borrowing programme for 1978-79. It has already raised a gross amount of Rs 1190 crores against the estimate of Rs 1830 crores and the funding operation relating to the 4¾ per cent 1978 loan, outstanding for Rs 132.86 crores, has been sucessfully completed. The net amount borrowed is thus Rs 1057.16 crores against the target of Rs 1649.82 crores. Only the 5¼ per cent 1978 loan outstanding for Rs 47.32 crores is due to be redeemed on November 22, 1978. There will be no difficulty in raising the remaining Rs 640 crores for achieving the estimate for gross borrowing and redeeming or converting the maturing 5¼ per cent loan. As there will be a growth in deposits of banks in eight months ending March 1979 to the extent of Rs 3000 crores it will be necessary to invest freshly about Rs 850 crores in new loans and bonds; the banking system alone will be in a position to invest over Rs 600 crores in central government securities in August-March. As Life Insurance Corporation and provident funds also will be deploying their surplus funds in central government securities, gross borrowing may easily exceed Rs 2000 crores.

It will be necessary, however, to stagger intelligently fresh borrowing as banks are slightly over-invested in gilt-edged securities at the present moment and the Reserve Bank did well in limiting the notified amount for three new loans to Rs 440 crores. There will be no disposition henceforth to anticipate the growth in deposits for investment purposes as the impounding of 50 per cent of non-resident deposit, apart from the immobilisation of 10 per cent of incremental deposits and the maintenance of the higher cash reserve ratio, has placed banks in a strait-jacket. New loans can therefore be issued only at the average rate of Rs 100 crores every month. Since the state loans will have to be issued in September, there may be reissues of central loans for about Rs 100 crores earlier in August if there is reduced pressure on the banking system after the first week of July with the completion of procurement purahases of wheat and the emergence of a downward trend in sugar stock. Only in November can there be another offer of loans for public subscriptions with the 5¼ per cent loan falling due for repayment. Thereafter there will have to be reissues as any attempt to raise large amounts through public subscriptions may create difficulties for the lending institutions during the 1978-79 busy season. The Reserve Bank's open market operations have therefore special significance in the present context and nothing should be done to create stringency in the money market by concentrated bouts of borrowing when the central government can raise its requirement comfortably and even exceed substantially the budget estimate for gross borrowing.

No relief for tea?

SPEECH of Mr B.K. Goswami, chair- of the Tea Board, at the annual ral meeting of the Indian Tea Mer- ts' Association, held in Calcutta on 6, gives the impression that the rnment of India is unlikely to grant fiscal concessions to the industry in near future. Mr D.K. Ghosh, president the association, suggested that the rnment should remove or reduce the ort duty of Rs five per kg and also ore the excise rebate on exported tea. Goswami said that the government "a fairly open mind" and would be pared to consider this proposal when situation warranted it. However, he imed that in levying the export duty, government merely mopped up the ndfall profit. He said that the exporters lised a unit price of Rs 25 per kg in 77-78 compared to Rs 12 per kg in the evious year, an increase of Rs 13 in one ar, and that even after paying this duty, e exporters were left with Rs 8 per kg tra, over what they had earned in the receding year.

increasing costs

But the Tea Board chairman does ot seem to have realised that the ndustry had passed through a pro- onged phase of stagnation prior to 1973- 4 and that, because of the increasing cost of production and heavy tax burden, it does not have adequate funds for plough- back and development. A recent study of 40 tea componies in north-east India showed that for 1976-77, from a gross pre-tax profit margin of Rs 2.18 per kg of tea, taxation absorbed Rs 1.46 while 44 paise was retained by the company and the shareholder received 28 paise.

Mr Goswami spoke about the encourag- ing trends in the export of non-traditional items of tea such as packet tea, tea bags and instant tea. These fetched only Rs six crores about five years ago but their export earnings jumped nine-fold in 1977-78. There is no export duty on these items. On the other hand, there is a cash incen- tive of 10 per cent of their f.o.b. value. Further, the import policy for 1978-79 contains some facilities such as the plac- ing on the open general licence the import of tea bagging machine and code printing machinery. Another helpful move has been the inclusion of tea bagging machines under the purview of the Tea Board's hire purchase scheme. The Tea Board has urged New Delhi to consider a reduction in the import duty on tea bag- ging machines and to include filter paper for tea bag on the OGL.

promoting export

The government should favourably respond to the Tea Board's suggestion. At the same time, it is equally important to make effective and imaginative efforts to promote the export of tea in the tradi- tional form. This is all the more necessary in view of the large deficit of nearly Rs 600 crores that India had in her foreign trade in 1977-78. Tea export earned Rs 556 crores in the last fiscal year and, with appropriate promotional measures, it should be possible to step up the earnings of foreign exchange to higher levels. Mr Goswami suggested that while sustained propaganda for Indian tea in selected markets was essential, it was important to give proper attention to some basic problems which hindered exports. He said that steps should be taken to export tea in the form of pallets. But it is for the government to provide the necessary infra- structural facilities for this purpose. He wanted the industry to undertake consu- mer research for tea. The Tea Board has also a responsibility in this regard and it will be interesting to know what steps it has taken so far, and proposes to take in this direction in the near future.

In this context, it is relevant to draw attention to the rapid strides made by the tea industry in other countries. For instance, in their monthly Tea Review for April 1978, J. Thomas & Co Ltd have highlighted the fast progress made by the tea industry in Kenya. It is stated that Kenya today has emerged as a "major tea producing and exporting country of the world, leaving other African nations well behind", a situation which has been facili- tated by the comparative political and economic stability in that country. J. Thomas & Co have given the following figures regarding Kenya's export perfor- mance: "The largest importer of Kenyan tea is the United Kingdom who in 1976 bought 26,200 tonnes of the country's tea. The USA follows far behind with a figure of 8,258 tonnes. Kenya's total export figures have moved from 16,858 tonnes in 1965 to 59,436 tonnes at the end of 1976. Its closest African rival is Malawi with 14,849 tonnes shipped by the end of 1976. Of the quantities sold at the Nairobi (up- to 1969) and Mombasa auctions, Kenya's figures again are well ahead from 3,815 tonnes in 1965 to 17,499 tonnes in 1976. Uganda follows a poor second with 5,242 tonnes. In London auctions, Kenya has overtaken Sri Lanka and is second only to India with a figure of 15,246 tonnes."

improving viability

In view of the increasing competition from other suppliers the government of India should take timely measures to improve the viability of the tea industry. The state governments also should adopt a constructive approach to the problems of the industry. West Bengal and Assam, for instance, are taxing the tea industry for too heavily, ignoring its role as a major source of employment and in deve- loping the backward areas. The Indian Tea Association has pointed out that a tea company in West Bengal, earning a profit of Rs 25 lakhs, will have to pay over Rs 17 lakhs as agricultural income-tax compared to Rs 14.5 lakhs by an engineering com- pany or jute manufacturing unit. Besides, there are the anomalies and hardship aris- ing from the levy of sales tax and entry tax. It is only by the cooperative efforts of the central and state governments and the industry that tea can continue to play its role effectively in the country's economy and the consumer can get this beverage at a fair price. Incidentally, it is interesting to note that, according to J. Thomas & Co, tea and coffee continue to be expensive for the common man in Africa, the most popular beverage there being porridge, which is described as "a hot soupy dish derived from maize, the staple food."

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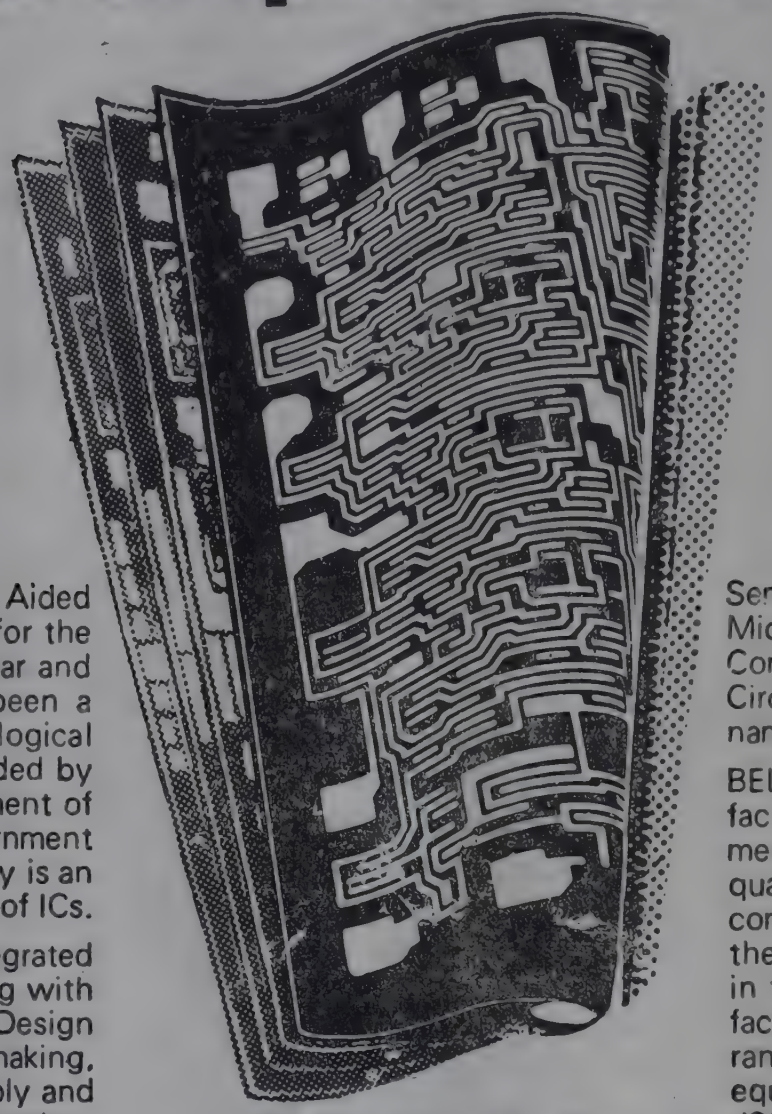

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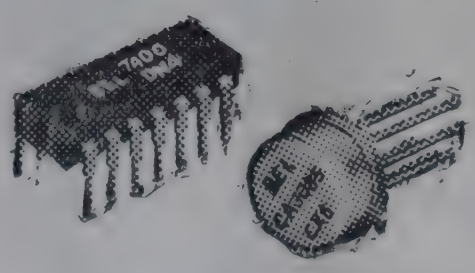

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CAPITAL'S CORRIDORS

R. C. Ummat

Fall in steel output?

ORICALLY, THE first three months of nancial year are a period of lean uction in the steel industry. This is se of the unfavourable weather tions and also owing to the rate of nteeism going up not only as a sequel e summer heat but also because of harvesting of the rabi crops. Nor-y, output picks up in the second ter, receives a boost between October December and touches the peak in ubsequent three months. The current should not be an exception.

ut, significantly enough, the overall ut at the six integrated steelworks at ai, Durgapur, Rourkela, Bokaro, npur and Jamshedpur till lately had d to come up to expectations. Around ,000 tonnes of saleable steel during il and May, it fell short of the target as much as 200,000 tonnes. Much re discomforting, however, was the that compared to the corresponding iod last year, it was down by about ,000 tonnes.

production loss

Approximately half of the production s is said to have been at one plant, mely, Bokaro, where the output was pected to expand rapidly as a result of commissioning of all the units of the t stage. In the remainder, Durgapur's are was the most significant. At Bhilai d Jamshedpur, the output suffered some back in April. But it picked up well ring May. The sick Burnpur works so showed a downward trend. The out-t at Rourkela too declined, though arginally.

The trends this month suggest that pro-uction has tended to pick up, except at hilai. Till June 21, the monthly produc-on rate at Bhilai was 140,000 tonnes, as against 153,200 tonnes produced in May and 107,700 tonnes in April. The Durga-pur, unit was yielding output at the rate of 74,000/75,000 tonnes, as against a production of 63,000 tonnes in May and 71,600 tonnes in April. Rourkela's output was at the rate of 95,000 tonnes, com-pared to 75,300 tonnes produced in May and 78,500 tonnes in April. The produc-tion at Bokaro rose between 80,000 and 85,000 tonnes. This plant produced 59,200 tonnes in April and 66,500 tonnes in May. The picture at Burnpur and Jamshedpur is stated to have been no different. Burnpur's output in April amounted to 35,200 tonnes and in May to 30,100 tonnes. Jamshedpur yielded 107,000 tonnes in April and 121,300 tonnes in May.

some improvement

The utilisation of capacity at the four steelworks at Bhilai, Durgapur, Rourkela and Bokaro, thus, improved somewhat this month as compared with the average utilisation in April and May, the respec-tive effective annual rated capacities being 1.965, 1.239, 1.225 and 1.355 million tonnes of saleable steel, respectively. This was in line with the experience of the past.

The actual production this month, however, may receive a significant set-back if the threatened strike at the public sector projects against Bhoothalingam group's report on the wages, incomes and prices policy takes place. As a pre-cautionary measure to obviate damage to equipments and machinery due to sudden stoppage of work, production is under-stood to have been decelerated. It will take at the minimum 7/8 days for the normalisation of production after restart-ing operations. Some more time will be required to build up the tempo of pro-duction to the requisite level in terms of the targets.

This, indeed, is causing a good deal of anxiety to the Steel Authority of India (SAIL) as well as the government, as should be evident from the recent call of the minister for Industry, Mr George Fernandes, to trade unions to desist from going on the proposed strike. He has clarified that Bhoothalingam group's report is only one of the documents which will be considered by the government in arriving at decisions on the wages, in-comes and prices policy. He has even asked the trade union centres to submit a study of their own in this regard to assist the government in reaching the right conclusions.

significant drop

Only time will show whether the strike threat is actually carried out. It is diffi-cult to express any firm view in this regard at the time of writing this piece. But the significant drop that has already occurred in the production of saleable steel, obviously, is a cause of concern particularly for the consumer industries. It has created shortages of raw materials for them even though imports have been liberalised. The supply situation may improve as large-scale imports start flow-ing in. But the production costs of con-sumer industries will get significantly vitiated as costlier imports will definitely push up the pooled prices of several categories of steel, especially flat products and structurals. Even if the domestic supply position improves later this year, as envisaged by the producers, who feel confident that the production loss suffered so far will be made up, there is a tenden-cy for prices being kept up once they are raised. It can only be hoped that the pool-ed prices for the imported and domesti-cally produced steel will be readjusted downward as expeditiously as the upward revisions are made. Imports currently are said to be costing, on an average, Rs 1,000 per tonne more than the domestic supplies.

What has actually caused the drop in production till lately? The historical reason has already been referred to above. According to the steel industry sources,

three other factors have affected output. These are (i) some capital repairs, particularly at Bhilai and Rourkela, (ii) shortage of power, especially at Bokaro and Durgapur and to some extent at Bhilai (Rourkela is not facing this problem to any significant extent), and (iii) deterioration in industrial relations at Bhilai, Bokaro and Durgapur (the situation at Rourkela, Burnpur and Jamshedpur is relatively better). Significantly enough, although some difficulties have been experienced in the supplies of coal, this factor has not yet affected the output of steel at any unit.

The capital repairs at both Rourkela and Bhilai have since been completed. The two real problems which the steel plants, thus, are now facing relate to the supplies of power and industrial relations.

power shortage

The supplies of power from the Damodar Valley Corporation (DVC) are said to have particularly affected the production at Bokaro and Durgapur where peak-load restrictions have been applied till recently up to 40 per cent. The Power ministry sources, however, claim that these curbs ought not have affected the output of steel to any significant extent, specially when Bokaro, where production was to expand rapidly, has its own captive unit to generate 120 MWs. The major difficulty, according to these sources, should have arisen only for a short duration when the DVC generation went down in May to around 400 MWs—just 50 per cent of the rated capacity. With the improvement of generation by the DVC system this month (by June 21, it had gone up to 729 MWs and for the 21 days till then, it ranged between 700 and 750 MWs), the problem of power supply to the steel plants should be over, especially at Durgapur as the overall situation in West Bengal too has improved considerably.

This contention, of course, does not find full acceptance by the steel authorities. They do concede that the overall power position in the eastern region has improved significantly, but opine that the operations at the various steelworks continue to be hampered during the peak hours when supplies are restricted. The restricted peak-hour supplies, they stress, not only affect production during that period but also have an adverse effect on the overall tempo of production. It takes some time to build up the tempo again. At DVC's generation around 750 MWs, the steel plants are allocated supplies to the extent of 90 per cent of their requirements. They can get 100 per cent supplies only when the generation goes up to 800 MWs.

The performance of the DVC, however, has not improved uniformly in the West Bengal and Bihar sectors. The situation in the latter sector still leaves much to be desired. This apparently should be posing some difficulties to the steelworks in the Bihar sector. Bokaro's problems need to be judged against this background. The captive generation unit at Bokaro, it is pointed out, cannot fully take care of the requirements of the steelworks during the peak-hours as it cannot be switched on and off to just meet these requirements. Its operations have to be integrated with the supplies from the main DVC system.

The difficult power supply position in the Bihar sector, it is pointed out, can ease materially if the surplus power from Orissa, currently estimated at around 80 MWs, can be transferred to this sector. But the Bihar and the Orissa state governments have yet to come to an understanding on the payments for this transfer of power.

CEA's role

The Central Electricty Authority is understood to have been asked recently to look into the problem of ensuring adequate supplies of power to the steel plants. How far it will be able to ensure them on a regular basis remains to be seen.

The operations of the DVC have been affected recently to no small extent by two factors. First, the generation at the two recently set up 120 MW thermal units has yet to stabilise. Second, one hydro unit at Panchet went out of operation sometime in the last quarter of 1977. Spares to repair this unit had to be secured from Sweden. The repair job is yet to be completed.

These two problems, of course, would be overcome soon. But a much more disconcerting fact to be contended with in respect of ensuring adequate power supplies in the DVC-served areas is that th system does not have adequate reser capacity. Time-consuming maintenan jobs and forced outages reduce the gen ration capacity of DVC substantiall This problem can be tackled only bringing about an understanding expec tiously between the Bihar and Oris governments on the transfer of surpl power from Orissa to Bihar and ultimat ly by augmenting the generation capaci in the area.

Some labour unrest has also be reported from the DVC system. But it not said to have affected generation any material extent, except at Patrat Poor motivation of engineers at th project too is understood to be affecti generation. This has curtailed to son extent power supplies to the coal mini areas and washeries.

industrial relations

The operations of the steel plants Bokaro, Durgapur and Bhilai, of cours have been impaired by the deteriorati in industrial relations. This deteriorati is understood to have resulted primari from inter-union rivalries prompted considerations of mobilising suppo through pitching workers' demands hig in view of the prospects of deciding th union recognition issue through a secr ballot. The labour situation in the ste belt can be expected to remain disturb for some time owing to inter-unio rivalries as a new wage agreement f the steel industry is due for re-negotiati in a couple of months.

Apart from power shortage and deteri ration in industrial relations, producti at Bokaro is understood to have be somewhat affected also by technical dif culties in the steel melting shop. The are being attended to. It is hoped th they will be overcome soon.

As mentioned earlier, coal supplie though they had gone down in the rece months, have not yet impaired the pr duction of steel. The coal stocks with th steel plants (coking coal and the oth grade used in steel manufacture) whi had been built up to a record level 800,000 tonnes in July, 1976, remain comfortable right through 1977-78, the end of which they got reduced 453,000 tonnes. On June 1, the steel plan

d stocks of the order of 354,000 equivalent to nearly seven days' ption. The stocks of these types of the pitheads on that day aggregat- 1.5 million tonnes—sufficient for imately one month's consumption gh earlier they had been of a order. More significantly, the steel have currently coke stocks of the of over 200,000 tonnes.

supplies of coal to the steel plants ated to have generally improved onth, though there might have been onal setbacks. Current stocks are stood to be sufficient for 8/9 days' mption. Further improvement in may result in the next few days. gh the steel industry's expectations ving 14 days' consumption stocks by iddle of July may not materialise coal supplies to the steel plants d not pose any serious problem.

e coal industry sources are confi- that supplies from their en to the plants will remain adequate so as o affect steel output. As a result of -level deliberations among the ials of railways, the Steel Authority ndia, Coal India Ltd, and the minis- try of Energy in Calcutta on June 11, a crash programme had been drawn up to strengthen the coal stocks with the steelworks before the onset of the rainy season. This programme is stated to be being implemented energetically. The results are reported to have been quite encouraging. The current supplies from Coal India are said to be exceeding demand on several days by 8,000/9,000 tonnes. If any coal difficulties are experienced by steelworks, it is pointed out by the coal industry they would be caused by the shortcomings of the captive mines of the steel industry. The supplies from the captive mines this month have been somewhat lagging behind the chalked-out programme due to such factors as the ropeway trouble in the Indian Iron and Steel Company's mining areas.

So far as the movement of steel is concerned, the SAIL is understood to be facing some difficulties in making piecemeal despatches. There are complaints from the side of railways about holding up of coal wagons at some steel plants. But the steel authorities point out that this results primarily when large bunchings of supplies take place. Industrial relations on the railways too are reported to have deteriorated considerably in the eastern region, a fall-out of which is understood to be the placing of emphasis on the movement of wagons within the zone.

Saleable Steel Output: April to June 1878
('000 tonnes)

Plant	Actual production		Production rate
	April	May	June (upto 21)
Bhilai	107.7	153.2	140.0
Durgapur	71.6	63.0	74/75
Rourkela	78.5	75.3	95.0
Bokaro	59.2	66.5	80/85
Burnpur	35.2	30.1	—
Jamshedpur	107.2	121.3	—
Total	459.4	509.4	

*Effective rated capacities of SAIL units per annum:

Bhilai	1.965 million tonnes
Durgapur	1.239 million tonnes
Rourkela	1.225 million tonnes
Bokaro	1.355 million tonnes.

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Backbone-breaking George

S. Srinivasan

The author asks who is going to benefit if big industry is made to crawl without a backbone: Not the consumer who needs a product badly, nor the government who would lose revenue. He points out that handloom industry has benefited in no way when a hundred odd 'sick' textile mills have no bones left whatsoever.

OUR CHAMBERS of commerce, it would seem, have a streak of masochism in their make-up. Otherwise why should they regularly invite our ministers who, with equal regularity, proceed to denigrate the industrialists as greedy, self-centred ogres who, while living on the fat of the land, have yet "failed miserably to provide any succour to the vast multitude of the rural poor."

The performance of our minister of Industry at a meeting of the Maratha Chamber of Commerce held at Pune some time ago is in the best tradition our ministers have built up. Mr George Fernandes vowed "to break the backbone of the big industry in order to pave the way for rapid rural development throughout the country". That the minister of Industry should have indulged in water-front vocabulory is not surprising. He has perhaps not had time to forget the strong arm tactics and belligerent postures often associated with militant trade union leadership.

public sector giants

The minister's statement does not make it clear whether or not the spines of the big industrial units in the public sector—there are quite a number of them—would be spared. The fact of the units being in the public sector might perhaps enable them to escape the fury of the minister for Industry.

He would be doing himself and the nation a world of good, if only Mr Fernandes seriously addressed himself to the following questions :

First, is breaking the big industry like a transaction on the stock exchange where one man's loss is another's gain ? Who gains when you smash the big industry ? Not its consumers (sometimes they happen to be some other industries) who are denied a product they badly need; not those on the industry's payroll, from the chief executives down to the lowest factory worker, who would join the ranks of the unemployed; not the ancillary industries, whose markets would shrivel up almost overnight because of the restrictions placed on the big industry's operations; not those scores and scores of suppliers of raw material to the industry; and certainly not the transport services the demand for which would be considerably reduced.

Do the central and state governments stand to profit by making the big industry crawl without a backbone ? On the contrary, there is bound to be a big drop in the corporation tax receipts (it has to be remembered that the central government is a sleeping partner who takes home 70 per cent of the gross profits earned by the big industry) and a more substantial drop in the excise duties receipts, which form the largest single source of tax revenue in the central budget. The state governments would be hit too in the shape of smaller sales-tax receipts and diminished shares of tax proceeds that are divided between the centre and the states.

POINT OF VIEW

Second, Mr Fernandes seems to assume that once the big industry is out of the way, it will be followed by rapid rural development throughout the country. If that is true, our rural development should have put on seven-league boots in the wake of a hundred odd "sick" textile mills (all of them belonging to the big industry) who have no bones left what ever. Unfortunately, however, the ra rural development in the shape o flourishing handloom industry and a bo in the production of Khadi still rema "a consummation to be devoutly wishe

This piece is not intended to be special pleading for big industry. No it argued here that there are no bla sheep among large industrial houses. in any other sphere of life, some are w managed, others not so; the awareness social responsibility is inadequate in so and totally absent in certain others.

the remedy

But surely the remedy for this state affairs is to discipline the erring u into toeing the line and not to crip them, which would only reduce national economy to a shambles. T central government has plenty of weap in its armoury which can be used to p vent an industrial unit from shirking responsibilities to the state, to the c sumers, to its employees and to its sha holders.

The all embracing Company Law a the Industries (Development and Regu tion) Act aside, there are official represe tives on the boards of every unit which borrowed substantially from the financ institutions. Why can't these directors given the responsibilities to see that concerned industrial units continue play fair by all the sectors of the co munity. Of course, these directors sho be persons of the right calibre and sho have the authority commensurate w their responsibilities.

Bashing is so much more easier th building up. Indeed, it pays rich di dends in terms of emotion and gett one's own back. But that is not what Industries minister is there for. Nurt ing, not incapacitating, industries is rightful role. Let him, therefore, re for the trowel, not the blackjack.

The minister's speech at the Mara Chamber of Commerce, according reports, received thunderous appla

ne audience, consisting mostly of cale enterpreneures. It is a pity did not realise that an Industries r who breaths fire and brimstone ill wind that blows nobody good, least of all small-scale ssmen. Their enthusiastic reception of the minister's speech can perhaps be traced to the all too familiar sadistic principle: "I don't mind my losing an eye, provided my rival loses both of his". Or, perhaps, they were naive enough to be taken in by the minister's reference to his confidence about "generating rural industrial activity on a vast scale in a year's time".

One can only wish that the hopes of Mr George Fernandes do not turn to ashes and his rash promises do not darken the air with the wings of chickens coming home to roost.

ax incentives and methods of financing: micro-economic evidence

Mukund R. Dixit

he author who is an Econometrician at the Hindustan Machine ools, Bangalore, looks for micro-economic evidence regarding the npact of tax incentives on the methods of financing in the corporate ector and has analysed time-series data of selected large orporations in cement, chemicals, engineering and textile industries

RECENT article (*Eastern Economist*, 70, No. 1, pp. 18-22) G.D. Mishra, ttempted to study the impact of tax ntives on the financial structure of corporate sector by analysing data on ium and large public limited com- es published by the Reserve Bank of a. It is found that in key industries cement, engineering and textiles, ctive tax rate is negatively related internal resource generation. This ns that tax incentives can play a itive role in internal resource gene- on by reducing the effective tax rate in se industries. This effect is not present another key industry, viz. chemicals.

significant bearing

he findings have a significant bearing the design of tax policy in the light of government's emphasis on financing pansion and diversification plans of the ge corporations through internal re- urces. It needs to be seen whether these acro-findings can be supported by alysing firm level decisions.

It can be argued that analysis of micro- me-series provides a sharper test of onomic relations as it does not face the roblems faced by aggregate studies such the choice of an appropriate deflator.* he purpose of this article is to look for micro-economic evidence regarding the impact of tax incentives on the methods of financing. It analyses time-series data of selected large corporations belonging to cement, chemicals, engineering and textiles. The corporations are selected on the basis of consistency of performance and availability of data, from the list of top 100 corporations prepared by the *Economic Times* Research Bureau. The time period is from 1955-56 to 1974-75.

Internal Funds:

G.D. Mishra, identifies the impact of tax incentives on internal funds by specifying the internal funds equation as follows:

$$(RED/NW)_t = a_0 + a_1(PAT/K)_t + a_2(RED/NW)_{t-1} + a_3(I/K)_t + a_4(INV/K)_t + a_5(DBTFLW/NW)_t + a_6(NI/NW)_t + a_7(DBTOUT/NW)t + a_8(CA/TNA)_t + a_9(DPRCN/GFA)_t + a_{10}(TAX/PBT)_t$$

It is argued that the co-efficient a_{10} explains the nature of the effect of tax incentives on internal funds.

The equation specified above includes profit after tax as the other explanatory variable. The impact of changes in tax incentives is also reflected through changes in Profit after Tax. Hence, the nature of the impact is not explained by a_{10} alone. This can be seen below:

Consider, for simplicity's sake, the equation :

$(RED)_t = C_0 + C_1 PAT_t + C_2$ Tax Rate$_t$

PAT can be written as

PAT = PBT—Taxes

PBT = Profit Before Tax

Taxes = (Tax Rate) (Profit before Tax)

Substituting this in the above equation we get,

$(RED)_t = C_0 + C_1$ PBT$_t$ — C_1 (Tax Rate)$_t \times$ (PBT)$_t$ + C_2 Tax Rate$_t$

Differentiating with respect to tax rate to obtain the impact of tax rate on RED, we get,

$$\frac{\delta\ (RED)}{\delta\ \text{Tax Rate}} = -C_1\ PBT + C_2$$

It is clear from the above equation that the tax incentive impact is explained by (C_2—C_1 PBT) and not by C_2 alone. The appropriate variable, therefore, should have been Profit before Tax.

*G.D. Misra, uses different deflators for fferent variables for correcting variations in the umber of companies included by RBI at various oints in time.

This type of problem exists in identifying the impact of changes in inventory. The impact is explained through a_4 and a_8.

Making the necessary modifications, we specify the equation as

$$(RED)_t = a_0 + a_1 I_t + a_2 EF_t + a_3 PB\Gamma_t + a_4(RES) + a_5(LQ)t + a_6(RED)_{t-1} + a_7(RED)_{t-2} + a_8 \text{ Trend} + a_9 \text{ Tax Rate}_t$$

where : RED = Gross retained earnings
I = Investment
EF = Total external finance flow
PBΓ = Profi before tax
$(RES)_{t-1}$ = Total reserves in the beginning
$(LQ)_t$ = Liquidity
$(RES)_{t-i}$ = Retained earnings with lag $^{(i)}$ $i = 1, 2$

The trend variable is introduced to purge out the trend effect. The second lag of RED is introduced to see whether the impact of retention decisions is carried over to the second period also. Since new issues were infrequent in the time series they are clubbed with debt flow to obtain total external finance flow.

External Finance :

The external finance equation is specified as :

$$(EF)_t = b_0 + b_1 I_t + b_2 DIV_t + b_3 INT_t + b_4 DVY_t + b_5 RES_{t-1} + b_6(LQ)_t + b_7(TEF/CAP)_{t-1} + b_8 \text{ Trend} + b_9 \text{ Tax Rate}_t$$

where : INT = Interest rate
DVY = Dividend yield
$(TEF/CAP)_{t-1}$ = Share of total external finance in total capital employed.

The risk associated with external financing is appropriately reflected by its share in total finance in the beginning of the period. If the firm is over-indebted it will try to reduce borrowing in the next period.

For the purpose of analysis the corporations are designated as:

Name of the Corporation	The Industry to which it belongs
C.1	Cement
C.2	Cement
CH.1	Chemical
CH.2	Chemical
CH.3	Chemical
E.1	Engineering
E.2	Engineering
E.3	Engineering
E.4	Engineering
E.5	Engineering
T.1	Textile

The data are collected from the annual roports of the companies.

The equations are estimated by simple least square method. The appropriate specification is chosen on the basis of the value of $\bar{R}^2$. The results are given in Tables I and II.

It is clear from the tables that the results are not at variance with macro-findings. The negative influence of effective tax rate on retained earnings is observed in nine out of the eleven corporations selected for study. It is present in both the corporations belonging to cement industry. In the chemical industry, the negative influence is observed in CH.1 and CH.3. In CH2 tax rate has appeared with a significant positive sign. In this industry the micro results are different from macro results which indicate the absence of tax impact.

Negative tax rate impact is present in all engineering corporations except E.5. For the textile corporation the co-efficient is negative and significant.

Profit before tax has appeared with the expected positive sign in all equations except E.2. The magnitude of the response co-efficient is high in cement industry. In the case of C.2 it is 0.695 indicating that nearly 70 per cent of the increase in profit will be retained.

Absence of the investment variable in seven corporations suggests that retention decisions are independent of investment decisions. This result is at variance with macro finding. This variable is pres with a positive sign in E. 4 only.

Retention decisions are carried over the second period in the case of E.2. T negative sign suggests that this corporat had retained in excess of the requirem in the past.

Availability of external finance has been a major consideration in retenti decisions.

In the external finance equation the influence is absent in seven corporatio Negative influence is observed in the maining four corporations.

Interest rate has not been a decid variable for C.1, CH.1, E.2, E.3 and T in external financing decisions. In remaining corporations its impact negative and significant.

The results indicate that external fina decisions are also independent of inve ment decisions.

Dividend variable has appeared w the expected positive sign in C.2, E.1 a E-4.

In two out of three corporations belo ing to chemical industry, four out of corporations belonging to engineer industry and textile industry the negat influence of risk is observed.

By and large, the evidence at the mi level supports the findings at the ma level. Tax incentive policy can pla positive role in generating inter resources, However, its role in exter financing decisions seems to be absent.

TABLE I
Retained Earnings Equation

Corporation variable	C.1	C.2	CH.1	CH.2	CH.3	E.1	E.2	E.3	E.4	E.5	T.1
Constant	—0.139	—0.009	0.0413	—0.202	0.169	0.033	0.042	—0.020	—0.014	—0.001	0.215
	—	—	—	—	—	—	—0.175	—0.079	—	0.239	—
							(2.304)	(1.162)		(3.405)	
P_t	—	0.067	—	—	0.034	—	—0.008	—0.008	—	—	—
		(1.377)			(0.975)		(1.327)	(1.327)			
P_T_t	0.561	0.695	0.292	—	0.201	0.139	0.382	0.255	0.408	0.229	0.345
	(4.686)	(8.586)	(0.894)		(4.699)	(1.675)	(6.604)	(7.395)	(14.583)	(10.842)	(10.019)
DS_{t-1}	0.058	—0.077	—	—	—	—	—	—	—	—0.122	—0.0165
	(1.524)	(0.859)								(5.985)	
Q_t	—0.124	—	—	—0.303	—	—	—	—	—	0.012	0.102
	(2.073)			(2.143)						(6.058)	(2.232)
ED_{t-1}	—0.333	—0.07	—	—	—	0.644	—	—	0.173	—	—
	(1.857)	(0.35)				(2.417)			(1.563)		
ED_{t-2}	—	—	—	—	—	—	—0.239	—	—	—	—
							(1.768)				
Trend	—0.029	—	—	0.038	—	—	—	0.018	—	—	—
	(2.178)			(5.431)				(2.265)			
Tax Rate	—0.404	—0.049	—0.199	0.157	—0.229	—0.077	—0.080	—0.106	—0.147	—	—0.327
	(4.183)	(—1.369)	(1.32)	(2.269)	(2.909)	(3.201)	(2.77)	(1.452)	(3.287)		(2.746)
R^{-2}	0.87	0.93	0.16	0.72	0.68	0.97	0.77	0.90	0.96	0.96	0.95
R^2	0.91	0.95	0.20	0.76	0.73	0.98	0.84	0.99	0.97	0.98	0.96
F	45.28	18.19	1.91	1.7	8.94	134.94	11.44	225.86	101.77	67.63	65.99

(Figures in bracket are 't' values).

TABLE II
External Finance Equation

Corporation variable	C.1	C.2	CH.1	CH.2	CH.3	E.1	E.2	E.3	E.4	E.5	T.1
Constant	2.325	0.415	0.033	0.759	1.66	0.906	0.179	0.729	2 351	0.795	0.49
I_t	—	—	—	—	—	—	—	—	—	5.08	0.397
										(4.23)	(1.709)
DIV_t	—7.647	6.575	—	—	—	10.843	—	—	8.839	—	—
	(3.327)	(6.884)				(3.096)			(1.405)		
INT_t	—	—6.116	—	—	—6.051	—14.62	—	—	—0.250	—2.514	—
		(6.939)			(1.72)	(6.191)				10.09	
DVY_t	—0.109	—	—	—	—	—	—	0.209	—	0.037	—
	(1.151)							(1.950)		(1.812)	
RES_{t-1}	1.734	—	—2.139	—	—5.822	—	—	3.967	0.98	—	—
	(4.835)		(4.531)		(2.164)			(2.212)	(2.205)		
LQ_t	—0.475	0.409	—0.302	—	—5.842	0.557	0.557	—	0.106	—	—
	(1.187)	(1.438)	(1.2)		(2.020)	(1.252)	(1.252)		(1.115)		
$(TEF/CAP)_{t-1}$	—	—	—	—1.108	—2.357	0.99	—1.219	—3.747	—	—1.835	—0.919
				(1.770)	(1.78)	(3.335)	(1.60)	(3.628)		(2.126)	(2.117)
Trend	—	—	—	—	—	—	—	—	—	—	—
Tax rate	—	—0.289	—	—	—0.756	—0.92	—	—	—	—	1.313
		(12.474)			(1.22)	(2.74)					(2.979
R^{-2}	0.65	0.90	0.10	0.65	0.32	0.81	0.11	0.51	0.57	0.93	0.66
R^2	0.72	0.93	0.12	0.67	0.43	0.89	0.19	0.16	0.70	0.95	0.73
F	6.67	20.59	1.43	12.24	2.49	9.01	1.25	3.96	3.76	35.009	6.95

(Figures in bracket are 't' values)

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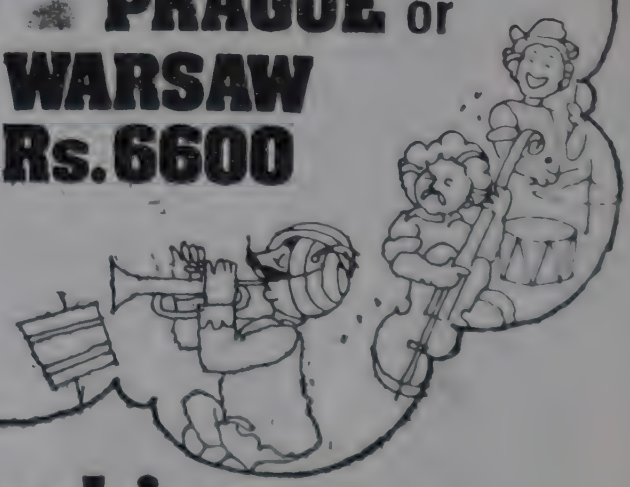

Stop dreaming, start packing.

ractors and employment of farm labour

Dr R. C. Verma

ntroduction of farm mechanisation has reduced the labour equirement in small and medium farms. In large size farms increased cropping intensity not only compensated for this decrease but increased the aggregate labour requirement. Considering these facts the author who is assistant professor, Department of Agricultural Economics, SKN College of Agriculture, Jobner, warns that a selective approach should be adopted towards farm mechanisation.

E MAIN fear about mechanization in country as well as other coun-s which are under-developed and er-populated is the displacement of ricultural labour. Bergman[1] has estioned the desirability of farm mecha-zation in a country with permanent rplus of labour. Black[2] anticipated creased unemployment from mechani-tion of farm operations. Srinivasan[3] d Shafi Niaz and Martin[4] also reported ar on this account. Shivamaggi[5] says we want our agriculture to be labour tensive and hence labour saving devices ould be discouraged. However, against ese findings many studies have revealed at farm mechanization would increase e labour employment. According to amaswamy[6], labour displacement as a esult of mechanization is marginal and s more than offset by increase in crop-ing intensity. Sivaraman[7] has also stated hat mechanization of some farm opera-ions may enable more crops to be grown n a year, thereby allowing more employ-ment of labour. Fisk[8] also endorsed this view. Mathur and Kapp[9] believed that tractors would produce more jobs and better wages. Robinson[10] analysed the influence of tractors on village social life in Turkey. He came to the conclusion that the first stage of mechanization did not increase unemployment.

This article is also an attempt in study-ing the impact of farm mechanization on human labour use. The investigation was carried out in the Jaipur district of Rajasthan. Fifteen villages were selected for the study. The number of tractors was the criterion of selection. The holdings of these villages were divided into three size groups viz, small, medium and large. Each size groups was further sub-divided into following three categories on the basis of intensity of mechanization:

Tractor operated farms	—Farms having tractor and pumping set but no bullocks.
Pump operated farms	—Farms having pumping set and bullocks but no tractor.
Bullock operated farms	—Farm having bullocks but no tractor and pumping.

Farms not falling in any one of the above categories were excluded from the sample. Thus in all there were nine categories of farms. Fifteen farms were selected at random from each category for the study.

The total availability of family labour on the farm was calculated by multiplying the number of family members (man-equivalents) with the number of days worked on the farm in the year.

decrease in employment

Table I shows that the number as well as percentage of the total family members working on the farm decreased gradually with the increase in the degree of mechanization. Only one-half members of the family were working on tractor operated farms as against two-thirds on bullock operated farms. Consequently the availability of family labour was more on bullock operated farms than on tractor operated farms.

Table II shows that on tractor operated farms, where many farm operations have been mechanized, increased cropping intensity and larger outputs compelled the farmers to employ quite a larger number of hired labour. The number of hired labour per farm on medium size tractor operated farms was 445 man-equivalent days and on large size tractor operated farms 2128 man-equivalent days, which accounted for a little more than 36 per cent and 62 per cent of the total labour employed on these farms, respectively. On other farms, family labour was found to be sufficient to do all the farm operations except in peak seasons, especially during the period of October-November, when the farmers have to cope up with the harvesting and threshing operations of kharif crops and field preparation and sowing of rabi

TABLE I

Family Labour and Total Work Days on Farm

Type of farm	Total family members	Family members working on the farm	Total working days per year
Tractor Operated			
Small	7.43	4.96	845
Medium	8.57	4.26	776
Large	12.82	5.83	1303
Overall	10.24 (100.00)	5.09 (49.71)	1024
Pump Operated			
Small	7.79	4.68	1226
Medium	9.14	5.08	1079
Large	12.19	6.96	1905
Overall	9.13 (100.00)	5 30 (57.67)	1344
Bullock Operated			
Small	8.93	5.73	1310
Medium	10.06	6.70	1382
Large	8.47	6.03	1390
Overall	9.17 (100.00)	5.99 (65.32)	1334

Figures in parantheses are the percentages to the total family members.

rops; a small number of labour was ired from outside during the period. The ercentage of hired labour to total labour mployed per farm as well as per hectare f cropped area on these farms was even ess than 10 per cent (except on medium ize pump operated farms and large size ullock operated farms where it was more han 10 per cent). Thus high degree of nechanization was found to increase the pportunities of labour employment on arge size farms.

Table III reveals that the number of per farm labour employed on small and medium size farms decreased steadily with the increase in the degree of mecha-nization. The position was just the reverse on large size farms. Mechanization on the one hand reduces labour requirement per hectare of cropped area and on the other, it increases cropping intensity which in turn creates more employment oppor-tunities per farm. On small and medium size farms the increase in the requirement of labour due to increased cropping intensity was not enough to compensate the decrease in the requirement of labour due to mechanization. However, on large

TABLE II

Employment of Hired Labour

(In man-equivalent days

Type of farm	Total labour	Family labour	Hired labour	Hired labour per hectare (of cropped area)
Tractor Operated				
Small	877	845	32	4.84
Medium	1221	776	445	38.36
Large	3431	1303	2128	64.56
Overall	2138.80	1024.00	1114.75	55.38
	(100.00)	(47.87)	(52.13)	
Pump Operated				
Small	961	1226	—	—
Medium	1204	1079	125	12.61
Large	2003	1905	98	5.20
Overall	1259.93	1344.00	53.77	5.27
	(100.00)	(—)	(4.28)	
Bullock Operated				
Small	1331	1310	21	3.37
Medium	1461	1382	79	9.95
Large	1608	1390	219	18.59
Overall	1383.22	1334.00	49.71	7.03
	(100.00)	(96.45)	(3.55)	

Figures in parantheses are the percentages to the total labour.

TABLE III

Pattern of Labour Utilization

Type of farm	Total labour utilized	Labour for livestock production	Labour for crop production			Labour for crop production per hectare of cropped area		
			Irrigation	Cultivation	Total	Irrigation	Cultivation	Total
Tractor Operated								
Small	877	151	110	616	726	16.64	93.19	109.83
Medium	1221	189	133	899	1032	11.46	77.50	88.96
Large	3431	613	313	2505	1818	5.50	76.00	85.50
Overall	2138.80	370.50	208.72	1559.58	1768.30	10.37	77.47	87.84
	(100.00)	(17.33)	(9.76)	(72.91)	(82.62)			
Pump Operated								
Small	961	148	106	707	813	16.51	110.12	126.63
Medium	1204	158	115	931	1046	11.60	93.94	105.54
Large	2003	397	133	1473	1606	7.06	78.88	85.29
Overall	1259.93	207.36	114.43	938.14	1052.57	11.21	91.88	103.09
	(100.00)	(16.46)	(9.08)	(74.46)	(83.54)			
Bullock Operated								
Small	1331	115	611	605	1216	98.07	97.11	195.18
Medium	1461	164	580	717	1297	73.04	90.31	163.35
Large	1608	188	500	920	1420	42.44	78.10	120.54
Overall	1383.22	132.40	595.28	655.54	1250.82	84.20	92.72	176.92
	(100.00)	(9.57)	(43.39)	(90.43)				

Figures in parantheses are the percentages to the total labour.

arms higher cropping intensity sed the requirement of labour more ne labour displaced due to mechani-. Thus taking farm holding as a he relationship between mechaniza-nd labour was competitive on small edium size farms, but complemen-n large size farms.

umber of labour employed per farm ll as per hectare of cropped area on tion was higher on bullock operated than on tractor operated and pump ted farms. This was because four ns were required at a time to operate *harsa* (leather bucket pulled by bul-) whereas to operate mechanically ectrically driven pump only one per-vas required. Although the number bour required per hectare of cropped on irrigation was approximately the on tractor operated and pump ope-l farms, but the number of labour ired per farm on this operation was er on tractor operated farms than on p operated farms. This was probably use of more intensive cultivation of irrigated crops, made possible by the use of tractor and other machinery, on tractor operated farms than pump operated farms.

The study reveals that mechanization of certain farm operations decreased labour requirement on small and medium size farms. On large size farms too, per per hectare labour input decreased but the increased cropping intensity (due to mechanization) not only compensated this decrease but increased the aggregate labour requirement. This suggests that a selective approach should be adopted towards mechanization. Introduction of farm mechanization (tractors) on small and medium size farms at the present level of crop technology would displace human labour. However, on large size farm mechanization (tractors) may safely be introduced without much danger of displacement of labour.

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Interview : H.U. Bijlani

Houses for the poor

At the end of each five-year Plan period, the number of families without a roof over their head was larger than at the beginning of the Plan period. The magnitude of the problem can be assessed from the fact that the country needs at present nearly 16 million housing units having the minimum acceptable standards. The Housing and Urban Development Corporation (HUDCO) has been trying to tackle this problem in so far as it affects the low income brackets by building cheap houses and letting them at low rents and also by evolving the new "Site and Services" scheme which is designed to help the lowest among the poor income group. In this exclusive interview, Mr H. U. Bijlani, Chairman of HUDCO, discusses the housing problem from various angles with S. P. Chopra, Senior Assistant Editor of *Eastern Economist*.

Q. Going through the annual report of the ministry of Works and Housing for 1977-78 and also the draft five-year Plan for 1978-83 I have come to the conclusion that housing in this country has been grossly neglected. Do you agree with this dismal assessment?

A. The question of housing shortage should not be looked at in isolation but it should be examined as a part of the totality of the economic scene. Surely, if the problem of housing is looked at in complete isolation, it drives one to a very grim conclusion. However, it needs to be studied along with other necessities of the people, especially of rural folk who constitute 80 per cent of the total population of the country. Understandably, food claims the top position in the basket of goods needed by them followed by clothing, energy, medicine etc—all of which command a higher priority than housing.

Q. It follows that in the scheme of things laid out during the past three decades in this country, housing was intentionally accorded a low priority. Is that correct?

A. In comparative terms—Yes.

Q. If that is so, one can understand the growing backlog of housing shortage in this country. Projecting the demand for houses and the pace at which they are being put up, do you think that this country has any hope of providing decent housing to all the people in the next decade or two?

A. Well, estimating the backlog of housing shortage depends upon a number of assumptions. You can get at a particular figure on the basis of the assumptions you make in order to arrive at it. According to the Planning Commission, the housing shortage at the beginning of the fifth five-year Plan was estimated at 15.6 million housing units—11.8 million in rural areas and 3.8 million in urban areas. But this estimate depends upon the definition of a housing unit having the minimum acceptable standard. There may be a roof over the head of a family but the question is if that roof is adequate.

Q. Please take a definition which minimises the backlog and let me have an estimate according to your computations?

A. Without quoting a figure, I concede that the shortage of housing in this country is mammoth.

Q. Then we agree on two points. First, this country accorded a low priotity to housing schemes during the last three decades. Second, the gap between housing facilities needed in this country and wh is available is enormous.

A. Yes.

Q. Then, let us know, in your view, ho the problem should be tackled by the gover ment and how the government is at prese trying to solve it? Do you think th there are certain constraints inherent the situation which make an early soluti of this problem rather difficult?

A Obviously the constraint is the no availability of adequate funds. In ord to provide shelter to those sections society who do not have housing uni even with the minimum facilities, the co in money terms will be truly astronom cal. The question which is extreme relevant is from where all the money wi come for building the houses which th people need. It leads us to the obviou corollary that all available resourc should be pressed into service and ever one having the capacity to assist in thi task should be involved in the construc tion activity. Not only the public secto but the private sector also has got to b actively associated.

I think that we must know the charac teristics of a target group before w evolve a scheme for putting up shelter Normally, a person's thinking is domina ted by subjective elements; for instance when you think of a house, you have th vision of a house wherein you live or on of your friends or relatives live. Wi you call that to be an ideal house ? I everyone were to be provided with house of his or her choice, the cost wi vary from unit to unit and it may b difficult to estimate the total funds re quired for this purpose. However, ou analysis has shown that in this country 75 per cent of the families have a monthl income of less than Rs 350 per month

opinion, that is the target group needs to be tackled first because it group which is in dire necessity ter. If the bulk of our population gs to this income group, we have to hat we can do for such families. er 10 per cent of the families enjoy e ranging between Rs 350 and 0 per month. So 85 per cent of the ation lives on monthly income of than Rs 600 per month. I may e the top 15 per cent of the popula- because it is rich enough and re- eful enough to arrange for its own ing. The people in this group les being educated have means to e the resources available in our ty. They also know how to get loans the Life Insurance Corporation and state governments.

. *Do you have any idea about the size he annual expenditure on housing by top 15 per cent and the bottom 85 per of the population*?

. The 85 per cent of the families ntioned earlier can reasonably be ected to spend up to 15 per cent of ir income per month on housing. The losophy of the Housing and Urban velopment Corporation (HUDCO) is ntred round this assumption. HUDCO, erefore, caters for the demand of uses by this section of our society. The ntral idea in planning housing colonies that these families should be able to ford and pay for the houses in which ey want to live.

Surely, a house which is usually put p in a big metropolitan city needs nds which are beyond the scope of ne families we are trying to help. o, the schemes have got to be drawn p within the paying capacities of hese households. Each family pays 15 er cent of its income every month and ltimately owns the house. It implies hat if a family pays 15 per cent of its income for housing purposes, it ends up as a owner of the house in 20 years. Even this stipulation may not be right in the case of each one of the families in the 85 per cent group under reference. We may be able to assist here at best 20 to 25 per cent of the families in the upper income brackets who alone would be able to abide by the conditions listed above. There are persons who earn between Rs 200 and Rs 250 per month. A worker whose job it is to break stones on the roadside, not much can be done for him by way of housing since his capacity to save for housing is extremely limited—say, five per cent of the income. We should be worried about this target group more than that of any other group.

Recently, I had an occasion to visit a steel township. It had beautiful gardens, spacious roads and all the facilities though the people living in those houses were accountants, adminstrative officers, engineers etc. The low-paid workers were pushed across the railway line where they had put up their hutments on just plain land without any road system or sources of water supply. It was the usual jhuggi-jhonpri colony. It was ironic to know that even in these hutments each worker was paying a small fee or rent to some one—may be a muscleman—who took care of him. Each worker paid about Rs 10 a month.

It is to service this class of people that we have initiated a new scheme called "Site and Services". According to this arrangement, we provide an environment to the worker. Since 10 per cent of his income is Rs 18, we cannot give him a house with monthly payment of Rs 18.

Q. Not even a modest Jhuggi-Jhonpri?

A. The situation is not that bad. We have been able to provide a one-room tenement with monthly payment of Rs 20 to Rs 25.

Q. Not made of cement, I hope?

A. Why are you so much fascinated by cement ? We usually make use of lime and other local materials which are easily available. We also advance money for the manufacture of hydrated lime which is as good as cement This means a little digression but let me explain it to you. Cement is highly undependable as a building material as it is not readily available for use. Sometimes there is a glut while at other times there is a shortage. The research institutes with which we have liaison have been able to produce a number of construction materials from local sources which are in no way inferior to cement. By using local raw materials, cheap houses for the lower income brackets can be built. Hundreds of such houses have been built at a cost ranging from Rs 4,000 to Rs 7,000 each. So, a house built at a cost of Rs 4,000 will require the occupant to pay Rs 24 a month for 20 years and the house will be his. This estimate assumes the rate of interest at five per cent per annum. If the cost is Rs 5,000 the occupant is required to pay Rs 30 per month and in 20 years the house is his. In this way, Rs 6 per month is added for every additional Rs 1,000. This is the strategy that HUDCO is following in promoting low-cost houses for the lower income groups.

For a person whose income is only Rs 180 per month and who cannot save Rs 24 per month, we have the scheme stated earlier as "Site and Services." Here, he gets flat land where elementary services such as sewerage, water and electricity are provided and he builds a small hutment according to his convenience and availability of his resources. The underlying idea in this case is to have such a site and services area very near the commercial/industrial complex where these people find work. It is not to be located in a place far removed from the place where the worker can earn a living. Such a "Site and Services" complex may be near an industrial belt where the workers can earn a living. The area provided is around 30 sq metres which has roads and other infrastructure services listed above. The occupant can have electricity, Indian type toilet seat and water facilities in that area. Such a site may cost between Rs 1,500 and Rs 2,000. For it, the occupant will pay Rs 9 to 12 per month. It will ensure the following: (I) its location will be near the factory or commercial complex; (2) water, electricity and sewerage will be made available; (3) each site will have an Indian-type toilet; (4) the monthly payment will be nominal between Rs 9 to Rs 12 per month. This much money, in any case, an occupant pays even to the muscleman of the area where he currently lives. In this case, he gives the rent and in due course he can build up

a tenement in any way he likes, according to the availability of resources.

Q. How many such "Site and Services" complexes have been set up by HUDCO so far?

A. We have so far initiated 14 or 15 schemes. Only a beginning has been made in this regard because the scheme was started not long ago. We want to go ahead on these lines in a big way. Besides the conveniences listed above, schools, hospitals and other facilities will also be provided in the layouts. Because of the low cost of this scheme, a very large number of target groups can be provided with facilities with the limited funds at the disposal of the government. This idea has been transmitted to almost all the states. Madhya Pradesh in particular has made a very good beginning. Gujarat and Tamil Nadu are also doing well in this regard. Various other states are also adopting the scheme. It may not work in such states as Assam where the pressure of population is not severe. All the states which adopt this scheme can get 100 per cent of advance for each project. These funds are made available to development agencies such as development boards, municipalities and cooperative societies. This year the loan commitment of HUDCO would be of the order of Rs 108 crores. We have been working through a variety of housing agencies. We are trying to identify institutions which can complete such projects. We are asking the municipalities to adopt the scheme.

Q. In your opinion, which state has shown the greatest interest in this scheme?

A. Almost all states have been advanced funds for housing schemes but for "Site and Service" scheme, Madhya Pradesh has done extremely well. The level of funds made available to each state is different. But it has got to be related to the size of the population of each state. In some states, the volume of funds looks large but on per capita basis, it is not all that large.

Q. How do you know that the states are making fruitful use of the funds made available to them?

A. We have a constant monitoring system. Our agency sees to it that houses come up with the money made available, and people occupy them and then the funds start flowing back to us. This is the concept of the revolving fund. You will be glad to know that nearly one-third of the funds made available by us come back to us every year. This makes the revolving fund operate in an effective manner. The fact that we continue to get back one-third of the funds made available by us is proof of the effectiveness of the monitoring system devised by HUDCO. It is true that the problem is too big but I am confident that the "Site and Services" scheme if applied extensively can cover a vast area in the country and provide elementary facilities to a large percentage of the needy population.

Unfortunately our planners, engineers, administrators, architects etc., suffer from what I call urban arrogance. What is urban arrogance? It stands for the craze to set up multi-storeyed buildings, flyovers, wide avenues etc. The architect can say that he has designed such a massive structure. He says that this is my building. The town planner wants to boast of the area or a city which he planned. The engineer wants to show the flyover or the bridge which he has built. Nobody cares about the poor target group about whom we have devised the "Site and Services" scheme. The target group does not need multi-storeyed buildings or flyovers or bridges. They want humble settlements nearer to their workplace with basic amenities. In the city of Delhi, there is a great need for cycle tracks but the planners and engineers failed to provide it at an adequate scale. In fact, in no city cycle tracks have been provided. The shift has got to be from multi-storeyed buildings to humble houses costing approximately Rs 4,000 each. Even Rs 4,000 is too much for some income brackets. Laurie Baker, the architect from Kerala who has done a lot of work in low-cost housing feels that we should not rest satisfied unless we are able to put up houses costing Rs 300 each. There is great need for a new approach to the problem of housing wherein low cost housing requires to be encouraged. Urban arrogance favouring huge structures will not solve the housing problem of the poor in this country.

Eastern Economist 30 Years Ago

JULY 2, 1948

What is India's foreign policy? To this question there is no easy answer and, possibly, no answer at all. The difficulty is partly general but, even more particular. Foreign policies everywhere are elusive and intangible things; they seem to dwell apart in a secret world to which the common man finds no easy access. It is as if those with knowledge of the mysterious happenings of that world were bound together by an unwritten law that speech about their trade was dangerous and silence an excellent golden rule. But these considerations—relevant as they certainly are—do not explain the general confusion in the minds of most people who attempt to describe the content of our foreign policy. The truth—let us not beat about the bush—is that we just do not know. Apart from rambling utterances in debates during the last budget session, the only important statement on foreign policy was that made by the Prime Minister on December 4,.1947 Nor, we regret to say that the Standing Committee of the Legislature on Foreign Affairs devotes sufficient attention to the subject to be able to advise the Prime Minister or the country. Certainly the statement of December 4, which speaks about "grouping about" does not contain much reassurance, implying as it does that we are committed to some experiment the success of which is by no means assured. A certain lack of assurance is not in itself ground for concern. For assurance—unless it is assurance born of folly—in this atomic age dwells not in the world of men. Comfortable nineteenth century British security, which has long since left its native home, has found no new abode; and twentieth century security and all the freedoms which it connotes still rest lifeless on paper. No foreign policy, therefore, can capture assurance in any lasting form. But it can—and indeed, it must—have both direction and clear positive purpose.

Can the EMU be revived?

Som Deo

A plan for a European Monetary Union (EMU) is pending with the Common Market for a long time. According to the author, who is lecturer in the department of Economic Administration and Financial Management, University of Rajasthan, Jaipur, a move is now on at its headquarters in Brussels to revive the plan for an integrated economic complex.

ME NEW things have been happening of e at the Common Market headquarters Brussels. The plan for an economic and onetary union, for a long time considered id and thrown into oblivion, is being sted and presented to the public. Origilly known as Werner plan it was adopted 1971 as a programme for the Commuty's phased conversion from a custom ion into an integrated economic comex regulated by a uniform economic olicy. The focal point of the Werner an was coordination of monetary olicy, first by narrowing the gap between ne exchange rates of national currencies and subsequently by gradually introducing a uniform currency unit for the EEC Nine.

An ambitious plan. But the very first attempt to bring it to reality encountered serious difficulties. Then it was bogged in inflation, monetary upheavals and payments deficit in most of the EEC countries. Its complete failure became obvious during 1974-75 world cyclical crisis. In March 1975 a group of EEC experts came to conclude that EEC is no nearer to EMU (European Monetary Union) than in 1969. In fact, "if there has been any movement, it has been backward....National economic and monetary policies have never in 25 years been more disordered, more divergent than they are today." *The London Economist* sums it up : "EMU is dead". What next?"

The answer was given by Mr Roy Jenkins, the British president of the EEC Commission. The only solution in his view is 'leap' towards European Monetary Union. To substantiate his argument, Mr Roy Jenkins advanced the following arguments:

First, monetary instability prevents optimal industrial planning, more efficient economic structures, makes capital investments risky. Monetary union, on the other hand, "favours a more efficient and developed rationalisation of industry and commerce than is possible under a custom union alone. Second, a "Common European Currency" would replace the US dollar as the main capitalist monetary unit and would make it possible to re-establish the western world's much needed monetary stability. Third, EMU would at least partially moderate inflation, inasmuch as it would ensure uniform price movements in all Common Market countries. Fourth, solution of monetary problems and general economic stabilisation would pave the way for clear prospect to industrialists and would tend to reduce the unemployment. Fifth, EMU would enable the community to bring slow-pace developing regions up to the level of the more developed, inasmuch as it would be possible to finance regional development programmes which hitherto have received scant financial assistance from the EEC. Sixth, monetary union would readjust the structure of EEC economic authority, more moderately dividing it between national and supranational bodies. As a result the Brussels integrationists would have a minimum measure of authority, while basic authority and functions on monetary matters would remain with member states. Lastly, monetary union and a "Common European Currency" would lead to political integration, the ultimate aim of the Community.

The question is not whether the EEC requires a monetary union but whether a leap is possible in the present economic and political atmosphere.

WINDOW ON THE WORLD

trade picking up

At the first instance the leap appears possible. The EEC economy has more or less got rid of the 1974-75 crisis and the industrialists are no longer haunted by the 'depression spectre'. Trade between the Nine, slackened during the crisis, has now picked up. Unemployment in EEC no doubt, is a great problem but recent economic recovery ensures an optimistic solution.

Capital concentration and centralisation

Unemployment in the EEC

(Thousands)

	Unemployment as of January, 1978
West Germany	1213
Britain	1548
France	1121
Italy	1496
Holland	224.8
Belgium	334.6
Denmark	191.0
Ireland	111.1
Luxembourg	1.4
Total for Nine	6241

th in individual countries and the Com-unity as a whole has accelerated, not-ly as a result of mass bankruptcies of edium and small firms during the crisis. hen there have been certain changes in ie integration process. This year a new rmula has been evolved for constructing ie budget: henceforth it will not depend n contributions from member states. A ew 'European unit of account' has been ntroduced as the basis for dealings etween member states. The new unit, ctually, a mixture of members' curren-ies and therefore has no link with the JS dollar.

Another innovation is doubling the EEC assistance (upto 6400 million dollars) to countries experiencing balance of payments deficits. To rescue the steel, textile and shipbuilding indust-ries joint measures are being taken. Unlike the US, the Common Market has considerably reduced its deficit in trade with oil-producing countries. In conclu-sion, the EEC is gradually emerging from the state of stagnation into which it was plunged by the upheavals of the mid-seventies, with their attendant national egoism and protectionism. But does it warrant to overcome the main obstacles to economic and monetary union and that the time is ripe for continued advance, even for a leap?

seeds of crisis

The answer is no. The original econo-mic and monetary union programme failed before the 1974-75 crisis. And its failure was due to the dislocation of the entire capitalist monetary system, drastic aggra-vation of financial difficulties in the Nine countries, runaway inflation and sharper contradictions between integrating partners. This has seeds for another crisis, the crisis of the entire mechanism of world industrialist economy that broke out in late sixties and early seventies and, judging by all the signs will continue for quite a while.

EEC economic and monetary integration is not being carried out in a desert. The EEC organism is an inalienable part of the world industrialist economy. And until its monetary system is stabilised, infla-tion reduced to an acceptable level, and international trade making real progress, there can be no question of the EEC mov-ing ahead. If it is to move ahead, it must even out the economic situation in its member states and also their economic policies. But it is here that we witness a good deal of confusion and contradictions for the present state of affairs in the EEC is hardly a good launching pad for a leap into economic and monetary union. In fact, many members of the EEC Commission, notably its vice-president, Mr Francois Xavier Ortoly, counsel a more moderate programme. They argue against the leap into monetary union it being an unrealis-tic assessment of the situation. The realis-tic method is one of small steps to resolve partial problems that brook no delay.

lasting convergence

But not to emphasise the contradiction between this moderate tactic and Mr Jenkins' ambitious ideas, Brussels has announced both the approaches as com-plementary: partial solution are meant to prepare the ground for a leap at some unspecified future. In short, the time will come when quantity will develop into quality. That idea has been incorporated in five-year action programme presented earlier. It proposes to "secure lasting convergence" of the Nine; to begain with co-ordinating their anti-cyclical policies to be followed by a linkage of national currencies. The programme also places the need for more energetic joint measures, on regional, social, industrial and energy policy, in which efforts by individual countries cannot produce the desired results. However, even this modest integ-ration programme is not substantiated by the Community's directing bodies. It was, rather, a subject of sharp controversy at a meeting of the EEC council of ministers and the European Council in last Novem-ber and December.

But still Mr Jenkins countinues to profess his idea of leaping into integration. It seems naive to suppose that Mr Jenkins is oblivious of the complexities of his plan in the present situation. Why then is he so persistent? Presumably his idea is meant not only to accelerate economic integration, but also to help the overall strategy of the ruling elements in the Nine. Specifically, it could help to subside the widespread disconten caused by the serious economic difficulties For, far from reducing the burden o inflation and unemployment, integratio has to a certain extent increased it, an has heightened social tensions. Hence, th attempts to instil the idea that capitalis integration can provide a way out of th impasse.

new alignments

The idea of leaping into integratio should also be judged in the new politica alignment in France and Italy. Reactionary forces in the west and particularly NATO, have been exercising influence o public opinion in both countries to pre-vent the growth of communist influence. The Brussels integrationists are also sow-ing illusions about the Common Marke for its unability to solve the economi problems.

Foreign policy considerations also play a significant role. With Greece, Spain an Portugal applying for Common Marke membership, the industrialists in these countries hope for financial and technica assistance from the more developed members of the Community and for more profitable trade in industrial and agricul-tural goods. The three applying countries to EEC seem to have considered retaining the present political set-up and preventing shift toward left as main elements. M Jenkins himself is reported to have support ed their membership on the ground of the basic principles of the Community. How-ever, Spain and Portugal are not un-aware of the internal tangle in the EEC But EEC leaders are trying to convince the three potential candidates by painting a brilliant future for the EEC. An idea was advanced to the effect of converting the Common Market into a European Union after the collapse of Werner plan. It was hoped that this would give an impetus to new political integration. The Tindemans plan for such a union had to be shelved.

A glittering coined slogan of the day is of course an important element in the art of politics. But if a slogan is unrealistic it can only discredit its political aims. In that case the whole idea of leaping into economic and monetary union will be a futile exercise.

Using GSP : advice to exporters

Hugo Cubillos

Many exporters in developing countries could be taking greater advantage of the benefits that the GSP schemes offer. Practical advice on how to profit from these opportunities is given in this article which is reprinted from the October-December 1977 issue of the International Trade Forum, *published by the International Trade Centre, UNCTAD/GATT, Geneva.*

It is well known that the Generalized System of Preferences (GSP) was established to improve market access for products from developing countries in the industrialized countries. Since the introduction of the first GSP scheme over six years ago, developing countries have gradually become familiar with the way in which the GSP operates. However, this growing knowledge of how the preferential system works seems to be concentrated primarily among the officials of developing countries, rather than their exporters and producers. Many exporters are not familiar with the technicalities of the GSP and require more information if they are to take advantage of these opportunities. Another difficulty in getting maximum benefit from the GSP is that importers in developed countries also lack sufficient information on how these preferences work. This is likewise a matter of concern, since it is generally the importer who gets the immediate benefit from the GSP tariff cuts. If importers are not aware of the advantages that they can obtain through the GSP, they will lack sufficient incentive to import from developing countries.

For their part, exporters in developing countries should familiarise themselves with the practical aspects of selling under the GSP and should attempt to make their trading partners, in the importing countries, aware of the mutual benefits the system offers, if they are to take full advantage of this innovation in international trade policy. Otherwise, the GSP, which represents one of the most important commercial policy developments during the last decade, will not live up to its expectations.

main features

Some of the main features of GSP that exporters should be familar within their day-to-day export operations are discussed below:

The first step an exporter should take if he wishes to benefit from the GSP is to determine whether his product is included in the GSP schemes of the markets where he has an exporting interest. Many exporters erroneously think that all products are covered by all of the GSP schemes. This is not the case. Some products are excluded from preferential treatment in almost all of the GSP schemes. The exporter should therefore determine right from the beginning whether his goods are eligible for preferences in his target market.

If an exporter wants to know if his products are covered by a particular scheme, he has to identify the classification of his product within the customs tariff schedule of that country. For instance, if he wishes to export an agricultural product to the European Community (EC), he has to find the number of his product heading in the Common Customs Tariff of the EC. Since his product is an agricultural item, he will then have to check the positive list of agricultural products to see if his good is included and is therefore eligible for GSP tariff rates. Or, if he wants to export his product to the United States he first has to consult the tariff schedules of the United States to locate his product within the classification scheme (which is different than that of the EC) and then examine a list of about 2,780 eligible products of that GSP scheme to determine whether his product qualifies for preferences. The procedure would be the same for other GSP markets. Most of the preference-giving countries have similar lists that enumerate either the products that are included (particularly in the category of agricultural items) or, conversely, those that are excluded (primarily in the case of manufactured goods), under their schemes.

After the exporter has ascertained that his product is covered, he has to calculate the preferential margin that his product will obtain in that particular market, so that he can determine the price he will offer to the importer.

To figure the margin, he has to look up in the customs tariff schedule both the GSP rate of duty on his product and the tariff rate normally applied (the most-favoured-nation, or MFN, rate of duty). The difference between these two is the preferential rate, which represents the advantage he has in the market over non-beneficiary suppliers in the amount of import duties to be paid on that product.

preferential margin

In some cases the preferential margin is very large, as high as 20 percentage points (for instance, if the MFN rate of duty is 32 per cent and the GSP rate is 12 per cent). When the margin is large, the exporter will be able to include a larger profit when calculating the price of his product than if he were to sell the product outside the preferential system.

In other cases the preferential margin is small and the exporter cannot derive much immediate financial benefit from the tariff cut. However, in the long term, he may be able to gain financially by obtaining a new or a larger market for his product. Sometimes a margin of four or five

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percentage points represents an important incentive for the importer, which will motivate him to buy the product from the beneficiary country. If the exporter can continue to sell to this importer, he will be able to diversify and expand his exports. When the margin is small, therefore, the exporter should consider leaving the complete benefit of the tariff advantage to the importer. This is particularly the case when an exporter is selling goods in the market for the first time as the importer will be in a better position to penetrate the market.

preliminary assessment

In making this preliminary assessment, that is, in verifying that his product is included and identifying the preferential margin, the exporter has to be extremely careful. He has to be 100 per cent certain that his product qualifies for preferential treatment in his target market and that he has calculated the preferential margin correctly. If he is mistaken on these points, he may suffer financial losses from his export transaction, rather than make a profit.

The items in a particular product group are often classified under several different tariff lines, and the tariff treatment can vary greatly from one item to another within that group. For example, an exporter should not assume that, just because one type of fish is covered by a GSP scheme, all kinds of fish are therefore included in it. Many varieties of fish are eligible for GSP treatment under the different schemes, but, at the same time, many others are not. In addition, the MFN rate of duty and the preferential rate can be quite different from one kind of fish to another. If he is not completely certain of the level of these duty rates, the exporter might calculate his price incorrectly, leading to unfortunate financial consequences.

One example of this problem may help to illustrate the point. Several years ago an exporter in a developing country sold a considerable amount of shrimps to an importer in a member state of the EC. When the importer and the exporter had negotiated the sales contract, the exporter had assured his buyer that the shrimps were covered by the EC's GSP scheme. However, when the goods were cleared in the port of destination, the customs officials decided that the shrimps were not covered by GSP. (In fact, within the EC scheme only two kinds of shrimps are eligible for GSP treatment. They are defined in the Common Customs Tariff and in the GSP regulations of the EC by their scientific names. For these two products the tariff rate drops from 18 per cent to six per cent and seven per cent under the GSP, giving preferential margins of 12 and 11 percentage points respectively.) So the importer sued the exporter for an amount equivalent to US$95,000, because he calculated that he had lost this much money by not receiving the preferential duty.

Fortunately, the exporter was able to prove afterwards that this shrimps were covered under the EC's GSP provisions. However, the risk he underwent by not checking the GSP rules and the tariff schedule carefully at the beginning was considerable and perhaps in another instance he would not have been so fortunate.

It is very important for exporters not to include in any export sales contract a clause specifying that the price of their goods will be related to the preferential treatment of those goods, because if by mistake the goods are not covered, the exporter could be held liable for the difference. Importers often seek such a clause, but exporters should not agree to this type of provision.

quota levels

When the exporter has in his possession all of the above information, he must still check into certain other details before he is sure that his products will qualify for preferential treatment. Tariff quotas and ceilings have been set up under some of the GSP schemes for lists of specified products. Under these arrangements, only a limited amount of the listed products can be imported under GSP; above the set levels, imports are charged the normal MFN duty. A similar measure in some of the schemes, called the maximum amount limitation, restricts the amount of imports that receive preferences from certain individual beneficiary countries, rather than from all beneficiaries combined. T exporter should therefore determine if products are subject to these quantitati limitations and, if they are, find out if t quotas for the current period have be filled. He might decide that it would financially advantageous for him to aw shipment until the beginning of the ne quota period, in order to get in on t GSP rates.

Under the EC scheme: If the export is selling to the EC countries, for examp and his good is an industrial one clas fied within chapters 25 to 99 of t Customs Cooperation Council Nome clature, or CCCN (which is the custo classification scheme used in a majori of the preference-giving countries), has to determine whether his product classified in the EC scheme as sensitiv semisensitive or nonsensitive, in order find out if any quotas or ceilings apply his shipment.

sensitive products

If the exporter's product is on the EC list of sensitive products, it will be subje to a tariff quota. He then has to g information on the amount of the quo and the possible time period during th calendar year within which it will rema open. The time period is importan because when the quota is fully utilize the MFN tariff rate is reintroduce for the rest of the year for that produc Exporters and importers alike should b aware that the administration of the quo by the EC member states is very strict.

The quota levels for the EC scheme ar published in the *Official Journal* of th EC before the beginning of each calenda year. As soon as the exporter knows th amount of the quota for his product, h should contact his importer in order t conclude the sales transaction. He ca then ship the goods to the market ju after the beginning of the calandar yea and thereby hopefully have his good cleared through customs before the quot is exhausted.

Again, the exporter could eventuall have difficulties with his importer if th goods do not qualify for GSP rate particularly if he has fixed his price wit the importer on the understanding tha

roduct will receive preferential treat-

the exporter is shipping to an EC
et, and he is aware that the quota in
country has already been filled, there
e tactic that he may be able to use to
preferential treatment for his goods.
quotas of the EC scheme are appor-
ed among the member states. If the
a is already filled in his country of
ination, he can ship his goods to one
he other EC countries whose quota is
open and the goods can then be sent
to his buyer in the final country of
ination. This procedure is possible
ause the EC is a customs union, and
ds cleared by the customs authorities
any one of the member countries may
culate freely to any of the other mem-
s without paying customs duties. (How-
r, it should be noted that in the case
textile products, the quotas are bilat-
lised between individual member states
d individual beneficiaries.)

For instance, if the exporters is in con-
ct with an importer in West Germany,
d the pre-allocated quota share for
est Germany has been exhausted, the
porter can ship his goods to a port in
rance or Italy, such as Marseilles or
enoa, if these countries' quotas are not
hausted. After the goods have been
leared in Marseilles or Genoa, they can
e sent to the final consignee in West
ermany.

uptodate information

In order to use this technique, the
xporter not only needs a good knowledge
f the technicalities of the EC scheme,
ut should also have very good relations
vith his importer, because the importer is
n a position to obtain the latest infor-
nation on the level of quota usage in his
country as well as in the other EC mem-
ber states.

Within both the sensitive and semi-
sensitive categories of products, the EC
has set maximum amount limitations on
some items from certain beneficiary
countries. The exporter also needs to see,
therefore, if his country and his particular
product are affected by such a measure.
If so, he must then find out to what extent
his country's exporters have used up the
quota or ceiling. He should be aware that
the reintroduction of MFN rates is auto-
matic when his country has supplied its
allotted amount of a sensitive good (ad-
ministration is more flexible for a semi-
sensitive item).

semi-sensitive products

When an exporter wishes to sell a product to an EC country that is on the semisensitive list, he should know that, although the ceilings for the goods are calculated on the same basis as the quotas for the sensitive products, reintroduction of the MFN rate of duty is not as strict as for quotas. On many occasions the EC Commission will allow perferential imports to continue beyond the ceiling level. The commission does not instruct the customs officials of its members claims that continued importation of the product is damaging its domestic industry. The same flexibility applies to the administration of maximum amount limitations on semisensitive products. It is very important that the exporter understand this imformation, so that he will not miss any opportunities that are open to him. Unlike the administration of EC quotas (for sensitive items), ceilings under the EC scheme for semisensitive goods are not allocated amoung individual members.

If the product that the exporter wants to ship to the EC is classified as nonsensitive, he generally does not have to worry about exceeding the ceiling and maximum amounts, since they are set at very high levels for this category of products.

The administration of the preferential limitation in Japan is quite similar to that of the EC. Under Japan's GSP scheme, some of the ceilings are administered on a daily control basis, while other ceilings are administered on a monthly basis.

In the first case, the exporter should take the same precautions as he would under the EC scheme, that is, he should have a thorough knowledge of the product groups that are considered sensitive, and, therefore, subject to daily control, as the MFN rate of duty is restablished two days after the quota is filled. He should also develop a good working relationship with his importer in Japan, because only the importer has access to current information on whether the ceiling limit has been reached.

For products with ceilings subject to monthly control, exporters have the possibility of exceeding the quota limits during the period of a few weeks, because the MFN duties are restored only on the first day of the second month after the limit has been reached.

Like the EC, Japan applies a maximum amount limitation to beneficiary countries for certain product groups.

Although Japan's GSP rules provide for automatic reintroduction of MFN rates after ceilings and maximum country amounts have been reached, in practice flexible administration is applied and, for products that pose no threat of injury to Japan's domestic industry, imports are often allowed to continue under preferential treatment beyond those amounts.

the US rules

When an exporter is selling to the United States, he should be aware that, although there are no quota or ceiling limitations, he may not be able to get prefential treatment on his product if his country's exporters sold large amounts of that particular good to the US market in the previous calendar year. These individual country limits (called competitive need exclusions) are reached when the country has exported either a certain absolute dollar amount of the product to the United States, which varies each year in accordance with changes in the US GSP (for example, in the 1977 scheme the figure is $29.9 million), or has supplied half of total US imports of that product during the year. Once the the limit is reached, exporters from that country will not be able to get preferential treatment for the product during the following calendar year (and perhaps even longer).

There are other conditions that an exporter must comply with in order to get preferential treatment for his product. After he has determind that his good is included in the scheme, has found out what the preferential margin on it is and has ascertained its position time-wise wise vis-*a*-vis any quota or similar limitation,

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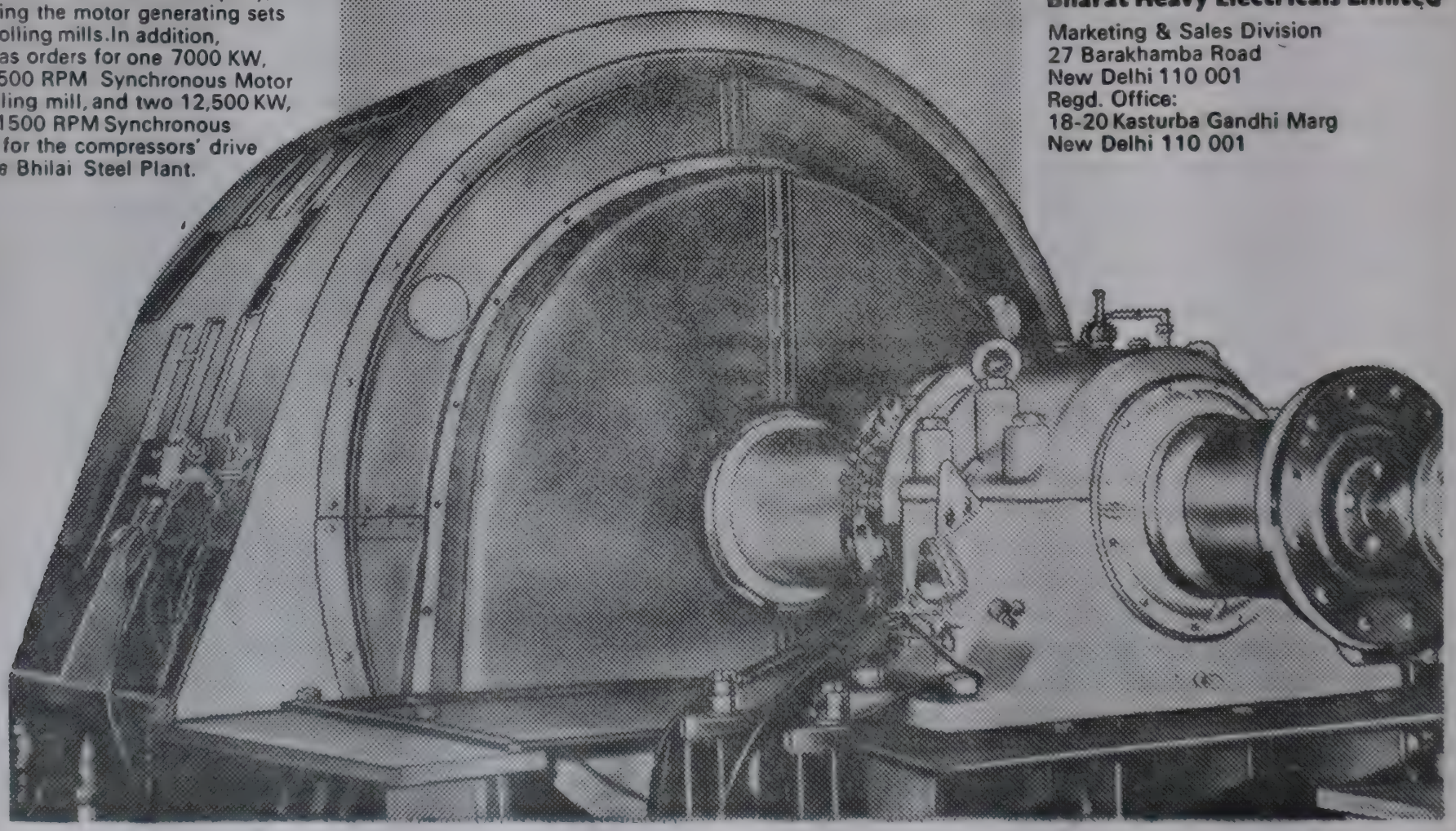


SAA/BHEL/990

to be sure that his product will ful- origin requirements of that GSP . One of the origin rules concerns sing. (The other two deal with nment and documentary evidence.)

is merchandise is produced entirely own country, the exporter will not any problem concerning the origin goods. However, he may encounter lties if the product that he is export- produced with imported materials mponents. Different GSP schemes different rules to determine whether mported materials have undergone ient transformation for the final pro- to qualify as originating in the ex- ng country. The exporter must have rough knowledge of the different pro- s by which his goods were manu- red, in order to know whether they the substantial transformation cri- n.

or instance, a chair could qualify as g wholly produced within the ex- er's country, both if it is produced rely with domestic components and if ntains imported materials, if, in the nd situation, it meets certain condi- s. In the first case, if the wood, the ls, the glue and the varnish used in the ir are produced in the exporter's ntry, the chair will qualify as wholly duced. The exporter must simply tify to the authorities who issue his tificate of origin that all of the com- nents in the chair are produced in his untry.

foreign inputs

In the second case, a similar chair with nported inputs might also qualify as riginating in the exporter's country. owever the exporter has to clearly lentify the foreign inputs. If he is only n exporter and did not produce the chair imself, he will have to find out from the nal manufacturer or the intermediate anufacturer whether the chair contains ny imported components. If it does, he as to examine the GSP regulations of he importing country to see what condi- ions must be fulfilled for his goods to qualify as being of domestic origin.

For example, if his target market s a European country or Japan, he has to be familiar with the customs tariff schedule of these countries, because the rules of origin for these schemes require that the final product have a different tariff classification than that of the imported inputs. In the example of the chair, if the nails were imported, the chair will qualify for GSP treatment, because it is classified under a different tariff heading than the nails. (The tariff heading for nails is CCCN 73.31, while that for chairs is CCCN 94.01).

special requirements

The case of the chair is a simple one. But the determination of origin is not as easy when the product concerned is a more sophisticated industrial article. In such a case, a simple change in the tariff classification does not necessarily qualify the good as originating in the exporting country, because in certain instances a change in tariff heading does not involve substantial transformation of the inputs. So the exporter has to go through the rules again and see whether the manufacturing process that he (or the producer) used is accepted, or whether additional processes are required for the goods to qualify.

For example, if he is exporting to the EC or to Japan, he has to look at list A of these two schemes, which contains exceptions to the change in tariff heading rule. List A gives, on a product-by-product basis, the specific working or processing operations that do not qualify an imported good as being substantially transformed (i.e. of domestic origin), even though the tariff heading has changed, and is also describes the additional requirements necessary for the product to be considered as substantially transformed. If the exporter is selling garments to these markets, he will see that, according to the information given in list A, his garments are not eligible for preferences if they have been produced from imported cloth, even though the cloth and the garments come under two different tariff heading. To be eligible for GSP treatment, his garments must be produced from cloth that has been woven or knitted in his country.

An exporter might also need to consult list B of the EC and Japanese scheme, which also contains exceptions to the change in tariff heading rule. List B, which is smaller than list A, specifies certain processes that confer origin to an article manufactured with imported inputs, even if there is *no* change in the tariff classification in the final product. In such cases, the working on processing that is carried out on the imported matrial is considered sufficient to bring about a substantial transformation and thereby qualify the item as a domestic products.

For example, suppose that an exporter want to sell ivory jewellery to the EC, and that he imports the raw ivory to make the jewellery. Although both raw ivory and ivory jewellery fall under the same tariff heading (CCCN 95.03), list B of the EC scheme indicates that if imported raw ivory is worked or processed in the country, the articles produced from it, such as pieces of jewellery, are considered as being substantially transformed and will acquire origin status in the exporting country (and therefore be eligible for GSP treatment).

percentage criterion

The exporter should also be aware that some preference-giving coun tries base their definition of substantial transformation on a percentage criterion, rather than on the degree and type of processing. These countries include Australia, Canada, New Zealand, the United States and the socialist countries of eastern Europe. But, again, not all of them apply the same rules.

While Canada considers a product substantially transformed if it does not include imported materials amounting to more than 40 per cent of the value of the final product, Australia and New Zealand require that not less than one-half of the factory or working cost of the goods be represented by the value of domestic labour and materials. In other words, Australia and New Zealand apply 50 per cent value-added criterion. In the case of Canada, 40 per cent limitation on imported goods refers to the ex-factory price of the goods, which means that profits are included in the final price. But in the case of Australia and New Zealand, the 50%

per cent applies to the labour and materials of the manufacturing process but not to profits and other indirect costs.

If the exporter is considering selling his goods to the United States, he will have to calculate substantial transformation on a different basis. According to the US rules, the exporter has to determine not the percentage of imported materials, but rather the cost of the domestic materials used in his product plus the direct cost of processing operations, which together must not be less than 35 per cent of appraised value of the merchandise. In practice, the appraised value is usually considered to be the ex-factory price, even though the US regulations state explicitly that the calculation is to include only the cost or value of the local materials and the direct cost of processing (which means that direct costs such as profits and overheads on the finished product cannot be included in the 35 per cent figure).

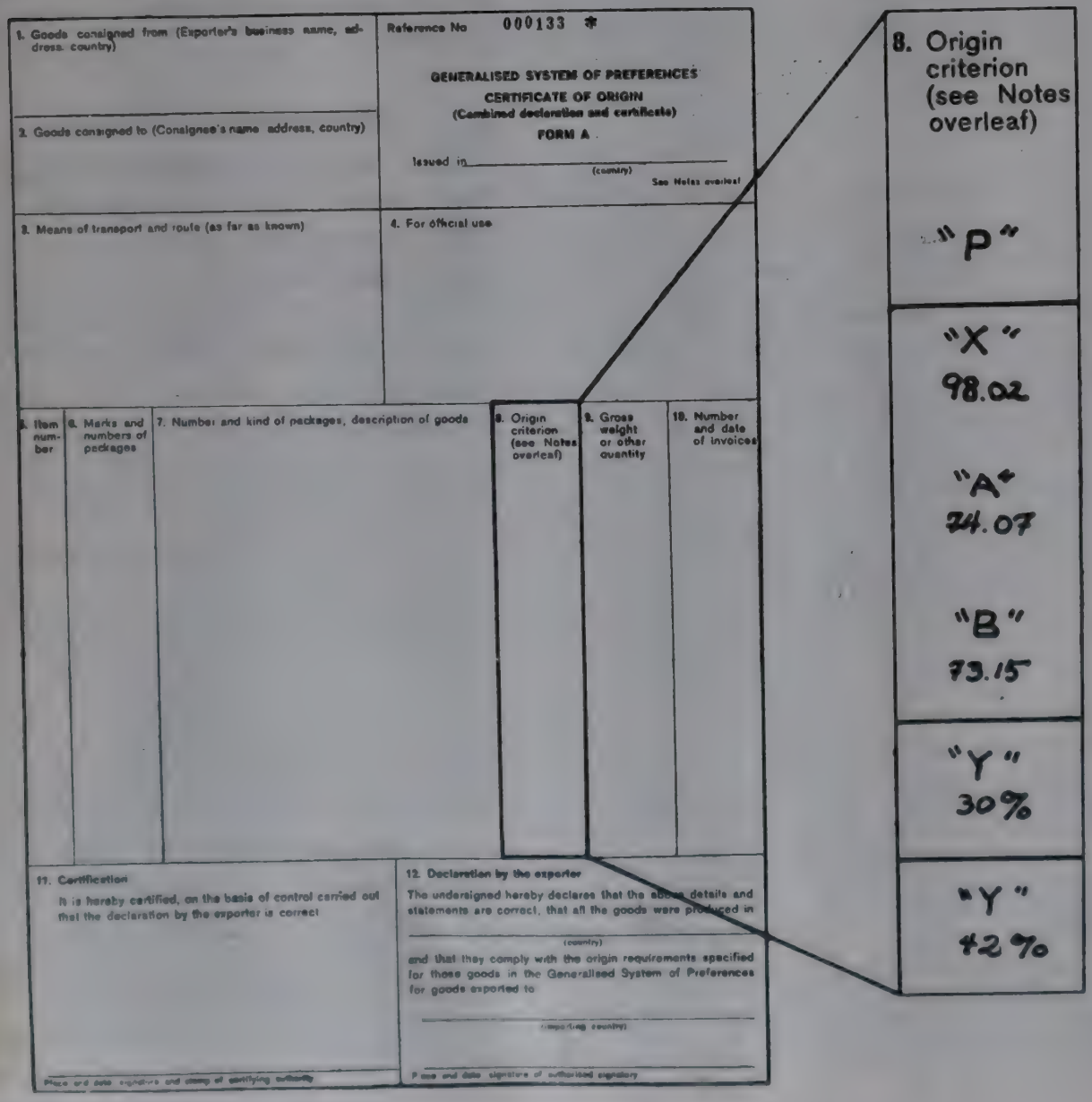
Under some of the GSP schemes, a donor country content rule is applied, whereby exporters can calculate as domestic inputs certain materials that they have previously imported from the preference-giving country. For instance, a producer might import steel from an industrialised country and use the steel to make a product that he then wants to sell back to that country. Under some schemes, he can consider the steel input as being domestic material when he does his percentage calculation. Exporters should inform themselves of the provisions of such rules under the various schemes.

The percentage calculations tend to confuse exporters, particularly when they sell to a GSP market for the first time. The calculation is more difficult for the export product from a local manufactu rather than produced it himself, becau he may not know that manufacturing p cesses or what foreign materials w used. In such cases he should work close cooperation with the relevant ma facturer(s), who can supply him with t details he requires.

In addition to all of the above con tions, the exporter should be aware t his goods have to be shipped direc from his country to the importing coun in order to comply with what is called t direct consignment rule. Although all the schemes require direct consignme in most cases goods can be transshipp through a third country for geographi reasons (for instance, if the beneficiary a landlocked country) or because transport difficulties, provided that th remain under customs control and do n

Filling in Form A

Form A certificate of origin


1. Goods consigned from (Exporter's business name, address, country)

Reference No 000133 *

GENERALISED SYSTEM OF PREFERENCES
CERTIFICATE OF ORIGIN
(Combined declaration and certificate)
FORM A

Issued in _____ (country)
See Notes overleaf

2. Goods consigned to (Consignee's name address, country)

3. Means of transport and route (as far as known)

4. For official use

5. Item number	6. Marks and numbers of packages	7. Number and kind of packages, description of goods	8. Origin criterion (see Notes overleaf)	9. Gross weight or other quantity	10. Number and date of invoices

11. Certification
It is hereby certified, on the basis of control carried out that the declaration by the exporter is correct

Place and date, signature and stamp of certifying authority

12. Declaration by the exporter
The undersigned hereby declares that the above details and statements are correct, that all the goods were produced in _____ (country)
and that they comply with the origin requirements specified for those goods in the Generalised System of Preferences for goods exported to _____ (importing country)

Place and date, signature of authorised signatory

8. Origin criterion (see Notes overleaf)

"P"

"X" 98.02

"A" 34.07

"B" 73.15

"Y" 30%

"Y" 42%

Box 8

Explanation of symbols:

For all GSP schemes requiring Form A:

"P" = wholly produced good.

For schemes of EC, Austria, Finland, Norway, Sweden, Switzerland and Japan:

"X" = good with import content, not included in Lists A and B (followed by tariff number).

"A" = good with import content, included in List A (followed by tariff number).

"B" = good with import content, included in List B (followed by tariff number).

For Canadian scheme:

"Y" = good with import content (followed by percentage of imported inputs).

For United States scheme:

"Y" = good with import content (followed by percentage of domestic inputs).

he trade of the third country, and nly minor operations, such as pack- nd sorting, are performed on the there.

complicated documents

me exporters look upon GSP as be- oo complicated, particularly because e extra export documentation involv- However, in practice the additional ment required, the certificate of ori- or Form A, is not difficult to pre- . Form A is accepted by almost all erence-giving coutries, except New- land, to obtain preferential treatment ly New Zealand requires presentation different certificate. Australia requires, rinciple, a separate declaration signed he exporter on the invoice, but Form A ccepted as an alternative. The United tes requires a special attachment affix- to Form A, pertaining to the notes on reverse page of the form. However er January 1, 1978, a new Form A be- mes applicable, which negates this uirement, although the present Form with attachment will still be acceptable a two-year period. If the exporter ows all of the above rules governing different schemes, and if he knows at his product qualifies for preference d complies with the rules of origin, he ould be able to complete the form with tle problem. After he has prepared e form, he must have it certified by the signated auhorities in his country.

Exporters usually find that the most ifficult part of Form A to complete is ox 8, which must be filled in with the orrect symbols. However, if the ex- orter knows the following rules he will ot find the procedure complicated.

If the good is wholly produced in his country, he puts a "p" in that box.

If he is exporting goods with import content to the EC countries and Japan, he has to see if his product is included in either list A or list B. If his pro- duct is not mentioned in either list, he puts an "X" in the box, followed by the tariff classification number. If his pro- duct is entered in list A, he includes an "A", followed by the tariff classification number of his good. Or if instead it is in list B, he includes "B" followed by the tariff classification of the exported item.

If he is exporting to Canada, he in- cludes a "Y" followed by the percentage of the imported materials, which should not exceed 40 per cent (for example, 30 per cent).

If he exports to the United States, the percentage should be shown in the reverse way, that is, reflecting the added value of the materials and of the direct cost of processing, which should not be less than 35 per cent. He should write "Y" in the box, followed by a percentage over 35 (for instance, 42 per cent)

Although these requirements regarding the insertion of the correct symbol are not difficult to follow, exporters often fill in Box 8 incorrectly. Customs officers in the preference-giving countries are then compelled to exclude the product from preferential treatment. This problem is more common than might be imagined. In some preference-giving countries the amount of eligible products that do not benefit from the GSP because the certi- ficate of origin has not been filled in according to the rules amounts to mil- lions of dollars. The consequence can be greater than the immediate loss of the margin. Form A is like a check for the importer. It represents the amount of money that he will be exempted from paying in duties as a result of preferential treatment. If he does not get the benefit of the preference, he may turn to other sources for his supplies, and the exporter may in turn lose a market.

bogus certificates

Another problem that sometimes arises concerning the certificate of origin can also put the exporter in a difficult posi- tion vis-a-vis his importer, as well as towards his own government authorities. Exporters are occasionally requested by their importers to furnish a certificate of origin, Form A, in order that the import- er can receive preferential treatment for the goods, despite the fact that the ex- porter and the certifying authority in his country are certain that the product is not covered by the GSP. The certifying authorities in developing countries will not certify Form A in cases when they know that either the goods are not cover- ed by GSP or do not fulfil the origin requirements of the preference-giving country. This is a standing agreement arising from the mutual cooperation and understanding that has been established between the issuing authorities in the exporting countries and the customs officials in the preference-giving coun- tries. If these authorities were to issue one or more bogus certificates of origin, they would lose credibility vis-a-vis customs officials in the importing country.

This is a problem that has not yet been resolved in either the preference- giving or preference-receiving countries. The situation should be clarified in the importing countries, since it is the importers, perhaps through their own lack of information about the schemes, who put the exporters under strong pres- sure to produce the certificate.

initial hurdles

The problems discussed above could imply that the GSP is too complex and adds too much to the day-to-day head- aches of exporters in developing count- ries for them to spend time on trying to qualify for the benefits under it. How- ever, if it is assumed that each exporters normally export only a few different products, the GSP regulations do not then appear so complicated. The proce- dure also becomes easier when exports are made on a continuing basis to the various preference giving countries. Once the initial learning process is com- pleted, the administration of the GSP requirements becomes routine.

Exporters have to be familiar with the specific regulations that apply to their goods in the GSP markets of interest to them. Where can they find this in- formation? Normally, the certifying authorities in their own countries should be in a position to advise them on these rules. When a developing country's focal point for administering the GSP is located in the national export promo- tion centre, it is advisable that an in- formation office or a documentation office on GSP be developed. This could be located within the trade infor- mation service of the export pro- motion centre. This office should have up-to-date tariff schedules of the pre-

erence-giving countries, as well as the egulations of those countries' schemes. This is the only way the exporter can letermine precisely what the preferential margin is for his product in the different countries.

Under its project to assist developing countries in more fully benefitting from the GSP opportunities, UNCTAD has produced handbooks outlining the practical aspects of the different schemes. In these manuals exporters can easily find the basic information they require for their shipments to GSP markets.* Although these publications have been distributed to all developing countries, they have not always arrived at the country's focal point for GSP. Instead they often get stocked in offices that have nothing to do with the GSP. This is a problem that many developing countries must solve, since it is essential that the focal points, and in turn the exporters, have access to up-to-date information on the various schemes.

assisting authorities

The assistance of chambers of commerce and industry is also important in disseminating information on the GSP in some developing countries. These chambers cannot be considered as official certifying bodies. But as they normally assist exporters in various trade activities, they can also provide information on the GSP regulations. They can even help exporters fill in the certificate of origin.

Additional facilities for obtaining information on GSP are available to developing country exporters in some preference-giving countries themselves, through established import promotion offices.

In conclusion, there is still much to be done in order that exporters become better informed on how they can benefit from the GSP. However, experience has shown that where there is effective coordination and cooperation between the government and business sectors in the beneficiary country, the possibilities of taking advantage of the GSP opportunities are greatly enhanced.

*These handbooks are available to exporters and producers at their local GSP focal point. The focal point organization can obtain them from (he UNCTAD/UNDP Project for the Generalized System of Preferences, UNCTAD, Palais des Nations, 1211 Geneva 10, Switzerland.

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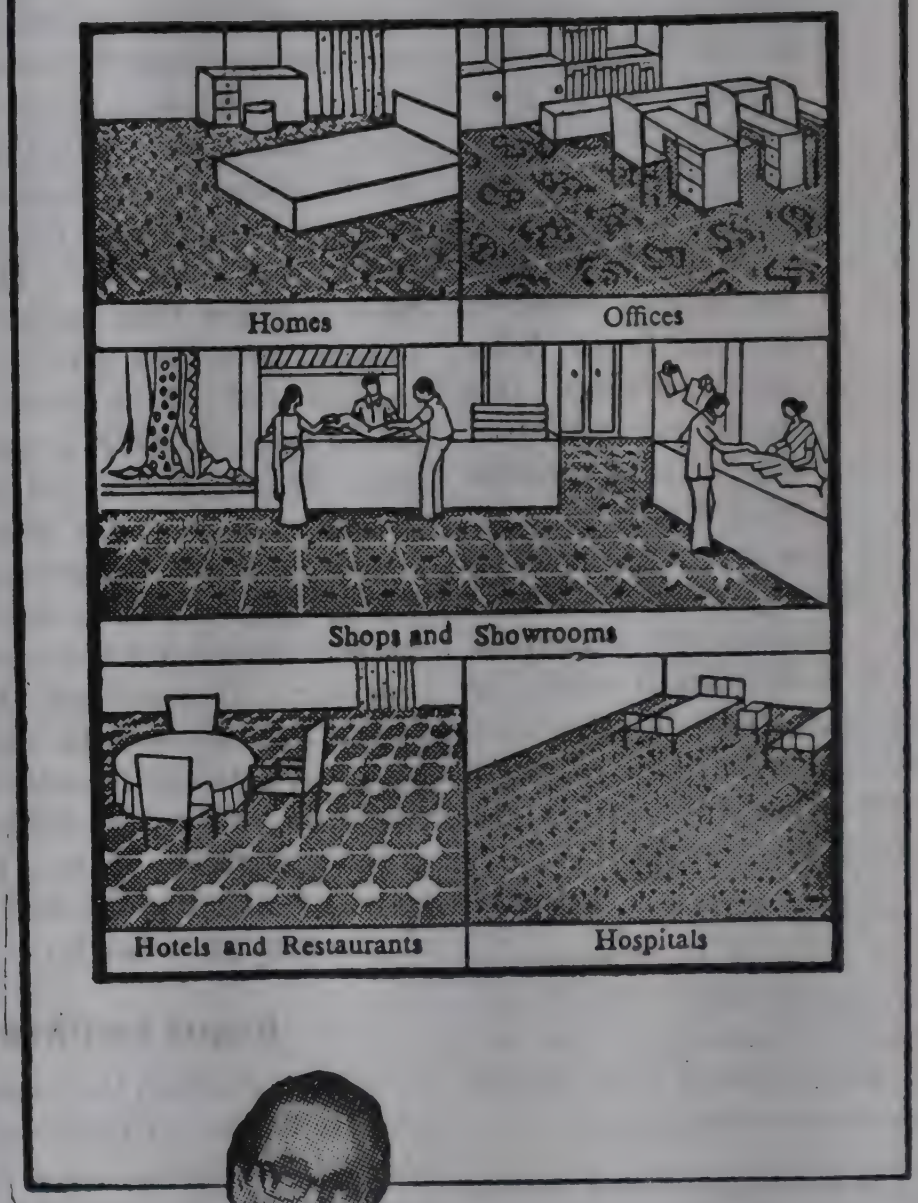

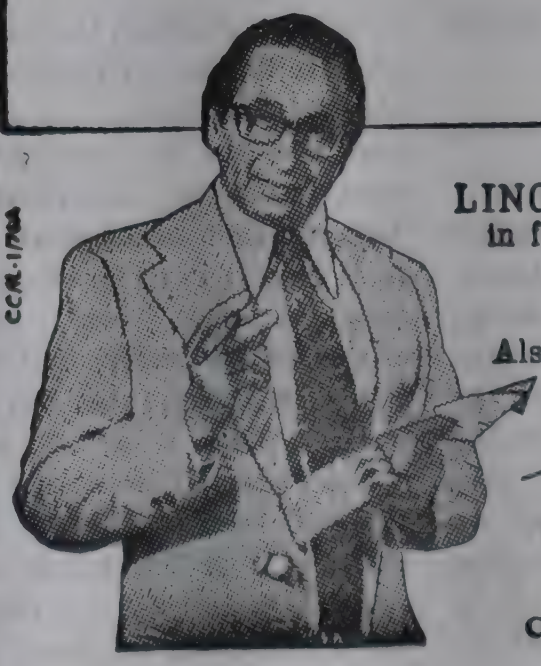

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...body since the British

...right, Mr John Osborne, rose to ...nence as "the angry young man" ...urned the trick more neatly than Mr ...Shourie. He ought to tie a red rag ...l his cranium as Mr Raj Narain ...a green cloth. Writing in *The Times ...dia* of June 20, he is furious that the ...al government has not acted on the ...ce tendered by the Tarkunde group ...hich Mr Shourie was a member) that ...central government should order a ...cial inquiry into certain police atroci- ... which this group, on investigation, ...found to have taken place in Andhra ...lesh during the emergency. These ...cities were of a truly outrageous kind ...e they, according to the Tarkunde ...up, involved the deliberate killing by ...ce officers of a large number of young ...n and women who were rounded up for ...rrogation, often on the flimsiest pre- ..., or even without any excuse at all.

...The Home ministry has agreed to the ...e government itself appointing a com- ...ssion to inquire into the matter. Mr ...ourie's contention is that this is a wrong ...cision on the part of the central govern- ...nt since, as he puts it, the state govern- ...nt itself is the subject of this investiga- ...n. It seems to me that Mr Shourie is ...the wrong because no government as ...ch can be the subject of an investigation ... this kind. Only individuals acting ... behalf of or with the authority of a ...vernment could be brought to the dock. ... is surprising that Mr Shourie has ...anaged to overlook this vital point ...though the very conspicuous example of ...e Shah commission is there to guide ...im. The Shah commission is not investi- ...ating the central government but only ...ertain people who held office in it or ...arried out orders issued in its name ...uring the emergency. Moreover, in ...ndhra Pradesh, there has been a general election as a result of which a new government has assumed office, unseating the ministry which was in power during the period of the atrocities.

Again, Andhra Pradesh

is not the only state where commissions of inquiry have been set up to inquire into emergency excesses on the part of a state government. Tamil Nadu, for instance, is witnessing the functioning of more than one such commission or committee set up by the state government and the government of Gujarat is the latest to announce the appointment of a similar investigating body. It should not be forgotten that law and order is primarily the responsibility of state governments and where the police administration in a state is involved the centre should do nothing to weaken the political or executive authority of the state government over its police machinery. The Home minister, after all, was not born yesterday. He no doubt realises that what was sauce for the Andhra goose yesterday will have to be sauce for the UP or the Haryana goose tomorrow. For instance, will the centre be setting up a commission to investigate the police excesses alleged to have been committed at Pantnagar?

Perhaps Mr Shourie's anger would have been more authentic had there not been more than a touch to it of wounded vanity. He cannot stomach the fact that, despite all the pull he believes that the Tarkunde group has with the prime minister, it has not been successful in persuading the central government to set up any inquiry commission of its own to investigate the Andhra atrocities. Mr Shourie, however, does not want to be too hard on Mr Morarji Desai. He is prepared to give the prime minister the benefit of the doubt on the assumption that the 'dark deed' had been done behind his back by the Home minister. Not that Mr Shourie's benevolence excludes Mr Charan Singh completely from its embrace. He is willing to grant that the Home minister might have been manipulated by "the system". The bureaucrats and the police are of course very much a part of this "system" and, adds Mr Shourie, so is press. After this, there could have been no escape for him from the fatalistic conclusion he finally reaches almost with a sense of relief: "Yes, the cancer is too far gone now. It will be cured only by the patient's death."

The Institute of Econo-

mic Growth, Delhi, and the National Institute of Health and Family Planning have differed in their assessments of the rural health scheme. Whereas the farmer has expressed reservations about the rural health scheme winning acceptability as an effective agency for the delivery of health care to the population in the countryside, the latter believes that the community health workers are settling down to their task reasonably smoothly and that the concepts of the scheme are attracting the trust and support of village leaders. It is possible that these surveys have been taken up too early. Although Mr Raj Narain, in his inimitable manner, may have given the wrong kind of publicity to the scheme, it is clear that it deserves a patient trial. A national network of para-medical services is essential on any reading of the resources in men or money which the country could make available for covering the countryside adequately with public health and medicare facilities. Health economics is a neglected subject, but it is pressing itself on the attention of health policy-makers and administrators, particularly in developing countries.

Shades of Frank Moraes!

I am glad that mixing metaphors is not yet among the lost arts. Here is a gem from the editorial in *The Times of India* of June 20: "That aside, the main thing is that the Janata governments in six northern states are under attack from dissidents and the *status quo* in the party's high command can hardly be disturbed at this stage without rocking the boat in most, if not all, of these states as well."

VB

MOVING FINGER

TRADE WINDS

Big Rise in Crude Imports Envisaged

INDIA'S IMPORTS of crude oil will go up by 3.60 million tonnes by 1982-83, according to projections made by the Petroleum and Chemicals ministry. These projections show that imports will increase from 14.02 million tonnes this year to 17.65 million tonnes by 1982-83. Indigenous production of oil will increase from the current year's level of about 13 million tonnes to 18 million tonnes by that time. The total availability of crude oil, both indigenous and imported will thus go up from 26.97 million tonnes this year to 35.75 million tonnes in 1982-83. This, however, will still be short of the demand of 36.32 million tonnes of oil estimated for the same year. The shortfall is likely to be made up through import of petroleum products instead of direct import of crude.

The government has estimated that all the refinery projects in hand today will be completed by 1981. These projects will provide just sufficient refining capacity to meet the demand by that time. The refining capacity in the country at the beginning of this year was 27.45 million tonnes while the throughput was 24.44 million tonnes. The refinery portion of the one million tonnes capacity Bongaigaon Refinery and Petro-Chemicals Limited is nearing completion.

The Koyali refinery's capacity is being raised from 4.3 million tonnes to 7.3 million tonnes. Mathura refinery which will have a capacity of six million tonnes per annum, will come up by 1980-81. These projects will raise the country's total refining capacity to 37.45 million tonnes by 1980-81.

This means that the refineries will have to operate at a high level if product imports are to be kept at low levels. The Petroleum ministry hopes to maintain the imports of products at a level of three million tonnes. But if there is a slippage in the programme it may not be possible to keep the imports at this level.

Exercises have now been taken up for planning further refining capacity for the period beyond 1981. The Bhatnagar committee which was entrusted with the task, has recently submitted its report. This is now being processed by the Petroleum ministry and the Planning Commission.

Ordinance on Gwalior Rayons Quashed

A division bench of the Kerala High Court on June 26 struck down the state government's ordinance taking-over the pulp division of the Gwalior Rayons unit at Mavoor, near Kozhikode, on the ground that it violated the right to hold and dispose of property as well as the right to carry on business or trade guaranteed under the constitution.

The court also ruled that the ordinance was beyond the legislative competence of the state government, it being related to take-over of management of an industry mentioned in item 24 of schedule one of the Industries (Development and Regulation) Act, about which only parliament had the power to legislate.

The case arose from a writ petition filed last month by the management of the pulp division of the Gwalior Rayons factory at Mavoor and a shareholder of the Gwalior Rayons Company challenging the validity of the impugned ordinance promulgated by the Kerala governor on May 11 for take-over of the strike-bound factory with the intention of resuming production.

President's Role

The petitioners contended among other things, that since the pulp industry directly fell within entry 52 of list one and entry 24 of list two of the constitution, the power of the state legislature to issue the ordinance was completely excluded. In such cases, the state government could resort to legislation only if prior instruction of the president was obtained as specified in article 213(1)(C) of the constitution. There was no such instruction regarding the impugned ordinance.

While upholding the contentions of the petitioners, the high court held that the provisions of the impugned ordinance violated rights guaranteed under article 19(1)(F) and (G) of the constitution insofar as they went against the rights to hold and dispose of property and carry on business by the shareholder of the company.

No public interest was in evidence which could justify restrictions imposed on the rights of the shareholder and, therefore, the ordinan violated article 31(2) of t constitution, they ruled.

The management of t Gwalior Rayons is prepare for "any reasonable settl ment" of the seven-month-o labour dispute, according Mr D.P. Mandelia, adviser t the management.

Proposed Public Sector Strike Off

The proposed one-day strik in the public sector undertak ings on June 28 was cal ed off. The decision came afte a five-hour discussion betwee the labour leaders and th government. The statemen issued after the meeting an signed by the trade unio leaders on June 26 says: "I view of the assurance given b the government at the end o the discussions with the centra trade union organisation which accepted the right t collective bargaining in regar to wages, DA, bonus etc,—th main demands of the public sector workers—and to asso ciate the trade unions in laying down flexible guidelines fo wages and DA, we advise the workers in the public secto not to resort to strike on June 28, 1978."

The statement was signed by Mr P. Ramamurthy, general secretary, CITU; Mr D.B Thengadi (BMS); Mr B. Bhagwati (INTUC); Mr Shanti Patel (HMS); Mr S.R. Rao (HMP); Mr K.G. Srivastava and Mr Y.D. Sharma (AITUC).

Bank Officers Withdraw Call

The All India Confederation of Bank Officers' Organisation (AICOBOO) also has withdrawn the strike call which was to begin from July 19.

The organisation representatives on June 26 met the Finance minister, Mr H.M.

nd it was agreed that
e talks would be re-
between the Indian
Association (IBA) and
OO on the new terms
onditions of service of
ficers.

Power Project

India Ltd and Bharat
Electricals have jointly
up a project to supply
power for oil pumping
along the 1157 km
ne from Naharkatiya
ds in upper Assam to
mati and Barauni refine-
If the above project
s a success, then the
ing stations along the
ne will be serviced by
pumps replacing the
generators. The capital
of solar pump is higher
that of a diesel pump, but
cement by solar pump
drastically reduce main-
ce and fuel cost.

l India in collaboration
Bharat Heavy Electricals
has taken up the project
t up a solar power station
s Bihar sector. If success-
the application of solar
er will then be transferred
ne nearest station for use
athodic protection in pipe-
s and for telecommunica-
s. Development of the
em can be well justified in
developing country like
ia on social and techno-
nomic grounds for large
lications in rural India.
e success of this experiment
l have a tremendous impact
the development of rural
as and on operation of long
tance pipelines and off-
ore exploration platforms.
The average power require-
nt of a station is approxi-
tely five kw per hour but a
lar power station as planned
ove by OIL and BHEL
uld produce 15 kw per hour.
us in eight sunshine hours,

Ministry of home affairs department of personnel & administrative reforms Assignments of Indian Experts Abroad

The Department of Personnel & Administrative Reforms registers experts with educational qualifications of the graduate level and above desiring to take up assignments in the developing countries of Asia, Africa and Latin America, for a period of two to three years. Candidates who are so registered are sponsored as and when demands suited to their qualifications and experience are received from foreign Governments.

■ **Applications for registration are invited from:-**

1. Medical personnel holding at least the qualifications of MBBS or equivalent.
2. Engineering and other technical personnel holding at least bachelor's degree or equivalent.
3. Teachers in different subjects holding B.Ed. degree or equivalent.
4. College/University Lecturers and other academic personnel holding post-graduate qualifications.
5. Chartered Accountants, Statisticians, Economists and others possessing qualifications equivalent at least to a bachelor's degree and experience of a specialised nature.

■ Persons with less than three years' professional experience after obtaining the requisite qualifications need not apply.

■ Experts wishing to be enrolled in the Foreign Assignment panel may obtain the necessary forms from the Foreign Assignment Section, Department of Personnel and Administrative Reforms, New Delhi-110 001, by sending a self-addressed, stamped (60 paise) envelope size 10 Cm x 22 Cm Forms can also be similarly obtained from the Governments of Andhra Pradesh (General Administration Department) Uttar Pradesh (Karmik Anubhag), Haryana (Political Department), Tamil Nadu (Personnel and Administrative Reforms Department), Himachal Pradesh (Karmik Vibhag) and Tripura (Appointment and Services Department). Applications from persons employed by the Central or State Governments, Public Sector Undertakings, Universities and Quasi-Governmental Organisations should be supported by a certificate from the employer that the applicant will be released for service abroad on foreign service terms in public interest (i.e. retaining the applicant's lien and protecting his seniority) within thirty days of selection, if need be and also stating the total period for which the applicant could be released for service abroad.

■ Registrations are valid for a period of three years. Candidates registered prior to 1st March, 1975, should apply afresh. Pesons registered after that date need not apply afresh until the expiry of three years from the date of registration, when their registration will lapse.

■ Persons who have attained the age of 60 years need not apply. Applications of persons registered earlier will also not be considered after they attain the age of 60 years.

davp-78/40

solar power station can procure power needed for 24 hours.

Customs Duty on Copper Scrap

The government has decided to reduce the rate of duty on copper scrap used in the manufacture of copper oxychloride from 80 per cent *ad valorem* to 45 per cent *ad valorem* with effect from June 21, 1978.

The rate of customs duty on copper scrap was increased from 45 per cent *ad valorem* to 120 per cent *ad valorem* in June 1977. On consideration of the representations received against this increase from the trade and industry, the rate of duty was reduced from 120 per cent *ad valorem* to 80 per cent *ad valorem* with effect from July 16, 1977. Copper scrap, apart from its other end uses, is also used in the manufacture of copper oxychloride, a pesticide used by agriculturists.

Annual Tax on Deposit Schemes

The Finance ministry has announced its decision that interest on recurring deposit scheme, cash certificates and similar other schemes with the banks on a long term basis will be taxed as income accrued on yearly basis. The depositors will, also be entitled to the benefit of Section 80 L of the Income Tax Act, 1961 namely a deduction in respect of interest on certain securities and dividends to the extent of Rs 3,000 a year.

A press note issued recently by the department of Revenue of the ministry of Finance says: Under section 80-L of the Income Tax Act, 1961 an assessee specified in the section is entitled to a deduction in respect of interest on certain securities and dividends to the extent of Rs 3,000 a year. Several banks are accepting long term deposits under reinvestment deposit scheme, recurring deposit scheme, cash certificates and similar other schemes, under which the interest is paid on the maturity of the deposits.

"The government has decided that the interest for each year calculated at the stipulated rate will be taxed as income accrued in that year. The benefit of deduction under Section 80-L of the Income Tax Act, 1961, will also be available on such interest."

Exchange Permit Facility Liberalised

The Reserve Bank has decided to liberalise the blanket exchange permit facility given to exporters so that travel may be undertaken for other business, in addition to export promotion purposes, such as for exploring possibilities of technical or financial collaboration, import of equipments or machinery, and following up disputes or arbitration connected with outstanding export bills. Currently, blanket exchange permits can be utilised for travel abroad on export promotion grounds and for certain other specified purposes such as advertisements, participation in overseas exhibitions, fairs, etc. Exporters holding blanket permits issued by the Reserve Bank of India have been advised to approach concerned offices of the bank for necessary facilities in this regard.

World Bank Credit

The World Bank has made available to the government of India, credit in various currencies, equivalent to US $25 million the rupee equivalent of which will be utilised by the Industrial Developmens Bank of India (IDBI) for financing the foreign currency cost of goods and services required by the projects in the public and joint sectors. The last date for the commitment for the loan is September 30, 1980 and the last date for utilising the loan is March 31, 1983.

Loans may be granted by the IDBI to the specific manufacturing agro-industrial or mining development projects in the public and joint sectors. The loans may be granted for setting up new projects as well as for expansion, diversification, modernisation, etc. of the existing enterprises in the public/joint sector.

The projects with fixed assets (excluding land cost) of a value between one crore rupees and Rs 20 crores are eligible for assistance.

The maximum loan to an eligible project for meeting the cost of the imported capital goods and services should not exceed the rupee equivalent of four million US dollars.

Sweden Grants Rs 50 Crores Aid

The agreement on development cooperation providing Swedish aid of Rs 50.37 crores (Skr. 270 million) to this country for 1978-79 was signed in Stockholm on June 16, 1978.

Out of this assistance of Rs 50.37 crores, an amount of Rs 19.59 crores will be available for general imports. This portion of the aid is untied and can be used for financing imports from any part of the world to India's best advantage. A provision of Rs 18.66 crores has been made in the agreement to finance imports of goods and services from Sweden. As in the past, this amount is to be utilised for the import of bulk commodities and capital goods and services from Sweden. T agreement provides for tec cal assistance to the exten Rs 12.12 crores. This amo will be utilised for the im mentation of several proj in the field of family welf health, fishing, forestry, exp promotion etc. This devel ment assistance from Swe is fully on a grant basis.

An agreement was also si ed between the two gove ments in Stockholm when the government of Swe wrote off all past debts earlier credits from Swed By this agreement ab Rs 100.74 crores on debts fr past credits from Sweden ha been written off.

KELTRON to Produc Process Control

Government has approv the foreign collaborat agreement between Ker State Electronics Developm Corporation Ltd (KELTRO and Controle Bailey of Fra for the manufacture of soph ticated electronic process co trol instrumentation and s tems. These have wide app cations in thermal and nucl power stations and proc industries such as chemica fertilizers, cement, pulp, st and plastic industries. In t light of the country's ene programme of setting up th mal power plants of 10,0 MW during the sixth Plan a 15 000 MW during the sub quent Plan, the total requi ment of electronic proc control instrumentation a systems will be of the order Rs 30 crores per annum this application alone. Keltr proposes to manufacture i tially Rs 8 crore worth instrumentation increas steadily to Rs 20 crores annum by the end of sixth Plan. The entire requi ment of the country will th

between Keltron and
dy existing facilities.

Offshore Oil

Engineering Construc-
rporation Ltd (ECC)
nd in the completion
hore terminal facilities
ve offshore oil and gas
nbay. ECC, a wholly
subsidiary of Larsen
Toubro Limited, has
e critical hook up of
l oil lines on platform
involving rigging of
and pipe sections under
tform deck.

C's work for the shore
al covered civil, mecha-
electrical and instrumen-
work as per the design
ipeline Technologists—
ltant to the Oil and Natural Gas Commission (ONGC). ECC has also set up terminal facilities at Trombay for 36" crude and one 18" and two 8" gas lines with receiver and launcher installations.

Nelco's DC Motor

The National Radio and Electronics Co Ltd (Nelco) has engineered a revolution in DC motor drive technology in the country by successfully commissioning the largest indigenous thyristor controlled drive at the steel rolling mill of Durgapur steel plant.

The contract was awarded to replace the imported mercury arc rectifiers by indigenous thyristor convertors. The original equipment had been imported from General Electric Co of Britain. Hindustan Steel Limited who run the Durgapur steel plant had taken a very difficult decision to award the contract to Nelco, an indigenous manufacturer in the face of competition from other Indian as well as foreign manufacturers. Nelco has completed the job in record time, ahead of schedule, without involving any foreign know-how. A similar challenge had been thrown by TISCO, where Nelco successfully installed and commissioned a 1200 KW TCD at the Jamshedpur steel complex.

The research and design work in both cases was handled by the R&D laboratory of the Tata Electric Companies—the largest electronics research organisation in the private sector.

Entrepreneurs Training Programme

An ambitious programme has been drawn up to provide training to over 500 new entrepreneurs during 1978-79 under the aegis of Entrepreneurship Development Programme (EDP) run by Gujarat corporations, GIDC-GIIC-GSFC-GSIC. The training programmes would be conducted specially in the rural areas and small towns to include the new experiment in rural industrial development. Several schemes of women entrepreneurs' industrial self employment through commercial and industrial services, industrial jobs for educated enemployed through the tech-

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D. R. GANDOTRA
Chairman

nical workshop of EDP, and extending technical training facilities by utilising idle capacities in the ITI are important facets ofthe current year's programme.

Rural Housing by HUDCO

In its endeavour to relieve housing shortage in rural areas, the Housing and Urban Development Corporation (HUDCO) has sanctioned rural housing projects in five states—Kerala, Karnataka, Gujarat, Punjab and Andhra Pradesh—for construction of over 85,000 houses at a total cost of Rs 26.51 crores. HUDCO's loan commitment for these schemes amounts to Rs 11.71 crores.

Jute Support Price Raised

The support price for raw jute for the current season has been fixed by the Industry ministry at Rs 150 a quintal. The price last year was Rs 141 a quintal. The Agricultural Prices Commission had recommended Rs 150 a quintal to the government. The ministry, after consultation with various parties including the jute industry, has decided to implement the APC recommendation. While the jute growers will obviously be pleased with the increase in the minimum price by Rs 9 a quintal, the jute industry, particularly the export-oriented units, will be hard hit to absorb the additional burden

Bengal Deshi for Export

The government on June 22 permitted the Cotton Corporation of India to export Bengal deshi coton bought by it. This permission has been exclusively given to CCI. No private party has been allowed the export of deshi cotton. Following this permission, CCI floated a global tender for the sale of 1,918 bales of Sriganganagar cotton of 1976-77 season.

It has been offered for export subject to on-the-spot selection by the buyer or his representative in India within 10 days from the date of acceptance of the offer by CCI.

The buyers have to give their offers in US cents per lb., f.o.b Bombay, for July 1978 shipment. The corporation will levy a carrying charge at two per cent per 30 days for any extension in shipment period required by overseas buyers beyond August 1, 1978.

Group of 77 Demand Conceded

The World Food Council has approved, after more than 10 hours of heated debate, a resolution presented by the Group of 77 that commits the developed countries to supply financial aid equivalent to 0.7 per cent of their Gross National Product (GNP) earmarked for attaining a four per cent annual growth rate in the food production of the developing nations. This financial aid will annualy amount to $8,300 million (1975 prices), of which $6500 million will have to be given as donations.

The council which ended its fourth ministerial meeting in Mexico City recently seemed to be on the edge of failure due to the refusal of the United States, Japan, West Germany, France and Australia to accept the principal recommendation of the "Declaration of Maxico," issued by 33-member countries.

The council, after surmounting "serious confrontation" between the Group of 77 and the developed countries, also agreed on the creation of an international emergency reserve of 500,000 tonnes of cereals as a stable annual fund that will be put at the disposal of the world food programmes.

World Cotton Production

World cotton production could decline somewhat in 1978-79 depending on final plantings and growing conditions, from the 6.9 million bales (480 lb. each) produced this season, the US department of Agriculture reported. The department's foreign agricultural service forecast 1978-79 world production in the 59 milion to 65 million bales range.

In a circular, FAS said the lower world harvest forecast was due primarily to an expected reduction in the US output, which it said could fall to between 11 million and 13 million bales from 14.4 million in 1977-78.

Foreign production next season is estimated in the 48-52 million bales range, compared with 49.5 million in 1977-78. The department said foreign acreage will probably drop to around 26.7 million hectares, 2.7 per cent below this season.

Metal Box Wins Package Award

For the second year in succession Metal Box India has lifted the world's most coveted award, the 1978 Clio award, in the packaging category. The Clio, which is equivalent to the Oscar for advertising excellence, is awarded annually. one each under radio, TV/cinema, print and packaging. Entries are received from all over the world and Metal Box are the only Indian winners so far.

The winning entry, "The Nine Moods of Man" is a presentation matchbox developed for the We India Matchbox Company had earlier won an Indi and an award of the Com cial Artists' Guild.

Last year, Metal Box I won the Clio ward for M tea caddies—a range dev ed for the Tea Trading Co ration of India, primarily exports. It may be recalle this connection that M Box India is also the Indian winner so far of Worldstar, the highest i national award for packag

Oil Prices Frozen

The Organisation of Pe leum Exporting Coun (OPEC) has agreed to oil prices frozen for ano six months, Mr Ali Jai OPEC Secretary General, nounced in Geneva recentl

Recently Mr Jaidah sai special committee had established to examine how

The Economist Intelligence Unit Lt London

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nation could protect lves from the erosion ir revenues due to the e of the dollar. The ittee will meet in a few ns under the chairman- of Mr Ali Kalifa as , the Kuwait Oil Minis- o make recommendations e next OPEC meeting on s. The meeting is sche- d in December. The de- n to keep the base price 12.70 for a 42-gallon el of crude oil was a vic- for Saudi Arabia and , OPEC's two biggest pro- ers and the two closest nds of the United States he 13-nation organisation.

dian Investment W. Germany

India invested in 1977, 69.6 million in West ermany. Total foreign invest- ent in Germany amounted Rs 14.8 billion and thus creased by 22 per cent.

The highest investment was ade, in 1977, by the USA with s 4624 million followed by witzerland with Rs 2804 illion.

The total foreign investment n West Germany since 1961 amounts to Rs 197.6 billion, out of which 3.3 per cent comes from developing countries, 35 per cent from EEC countries and 40 per cent from the USA. Branchwise, most foreign money has been invested in proecssing of crude oil (Rs 25.2 billion), followed by holding companies with Rs 20.8 billion.

Indo-German Ad hoc Commission in Bonn

The second session of the Indo-German Ad hoc Commission for Industrial Collaboration was held in Bonn on June 22 and 23. One of the main points of discussion was the review of Indo-German agreement for the avoidance of double taxation. The first session of this commission was held in New Delhi, in December last.

CEL Develops Solar Cell Modules

The Central Electronics Limited, a government undertaking, has started fabrication of solar cell modules capable of generating seven peak watts for charging 12 volt lead acid batteries. These modules can be put in a series of parallel combinations along with lead acid batteries to form photovoltaic systems for various applications such as rural water pumping, educational TV, defence communications and microwave repeater stations. The CEL has also developed a pocket instrument Surya-Mapi, for quick-field measurement of solar intensity as an aid to solar scientists.

Some of the other systems that have been developed or are under development include solar radios for community/ school application, calculators and digital wrist watches. CEL is also looking at some of the R and D areas such as the screen printed contacts, low cost AR coatings, and concentrater silicon solar cell panels to reduce the cost of solar cells and systems.

Favourable Trade Balance for W.Germany

With a trade surplus of $16.7 billion, West Germany's trade balance was the most favourable amongst the western industrialized countries, in 1977. Second ranks Japan with a surplus of $9.8 billion and third Canada with $1.2 billion. All the other western industrialized countries had to suffer a trade deficit in 1977, of which the USA the biggest with $36.5 billion (1976: $15 billion). The total trade deficit of all the western industrialized countries together increased by $6 billion to $41 billion in 1977.

Names in the News

Mr M.M. Tayal, has been elected as the President of Northern India Cotton Textile Mills' Association at its recent annual general meeting on June 9 1978. Mr Tayal, who is the Managing Director of Amitabh Textile Mills Ltd, Dehra Dun, is the President of Avadh Chamber of Commerce, Lucknow and past President of Dehra Dun Chamber of Commerce and Eastern UP Chamber of Commerce, Allahabad.

Mr M. M. Thapar, a leading industrialist, has been elected the Vice-President. He is the Managing Director of Jagatjit Cotton Textile Mills Ltd. Mr Thapar is also the chairman of board of directors of S.S.T. Ltd and Director of Ballarpur Industries Ltd, Karam Chand Thapar & Bros Pvt Ltd, Thonhuri Textile Mills Ltd, Bangkok (Thailand), as also several other companies.

Mr G. K. Bhanot, Chief Secretary to the government of Rajasthan, has taken over as Chairman of the Rajasthan State Mines & Minerals Ltd in addition to his present assignment. RSMM is a state government undertaking responsible for mining, sale and beneficiation of rock phosphate.

Mr Anil Kumar, has been appointed Managing Directtor of the Rajasthan State Industrial and Mineral Development Corporation. Drawn from the IAS, he has worked as a Director of Industries, and Registrar of Cooperatives besides other assignments.

Mr M.B. Dutta, has been appointed managing director of the State Bank of Bikaner and Jaipur. He replaces Mr B. K. Chatterji who has been appointed Chairman of the United Commercial Bank. Before coming to Jaipur Mr Dutta was working as General Manager (operations) in the State Bank of India at Kanpur.

Mr Narendra Jani, has taken over as Chairman and chief executive of Bareily Corporation Bank Ltd, on a deputation from Bank of Baroda. Mr Jani has 27 years of banking experience.

Mr P. D. Satsangi has been re-elected president and **Mr Vivek N. Bhaskar** vice-president with **Mr Gurmeet Singh**, honorary general secretary of the Manufacturer's Association, Faridabad.

Mr M.K. Nanda, has been appointed Finance director of Hindustan Petroleum Corporation, a government of India enterprise. Mr Nanda has had varied experience in finance and accounts in ESSO which was taken over by the government.

Mr V. K. Dar, who was the Managing Director of Indian Iron & Steel Co Ltd has been appointed secretary to the Industries department of the government of Andhra Pradesh.

Mr D.R. Ahuja, will be the new Managing Director of Indian Iron & Steel Co Ltd.

Hindustan Aluminium Corporation Ltd.

Chairman's speech at the Annual General Meeting on 20th June, 1978

Dear Shareholders :

I welcome you all to the Nineteenth Annual General Meeting of your Company.

I need not repeat what has been stated in the Directors' Report about the working of the plant, discontinuance in power supply by UPSEB, sales, and revaluation of plant and machinery of your Company etc. All these are dealt with in our Directors' Report already in your hand. In the report, however, it was stated that according to us the 100 per cent power cut imposed by UPSEB was considered to be discriminatory and illegal and the judgement of the Hon'ble Allahabad High Court in the writ petition filed by the Company against the power cut was awaited. Since then judgement of the Hon'ble High Court has been received and I am glad to say that the power cut order was declared ultra vires and quashed. The UPSEB was asked to supply power as per law. However, the UPSEB preferred an appeal to the Hon'ble Supreme Court against the judgment, and praying for stay of the High Court's Order. The Hon'ble Supreme Court, however, directed the UPSEB to supply 20 MW power (against the contracted supply of 85 MW) as an interim measure without going into the details at this stage, till the disposal of the case. With the resumption of power supply to the extent of 20 MW the production of aluminium has increased from 155 tonnes to 185 tonnes per day. The hearing of the Appeal is expected towards the end of July.

The Shareholders may like to know about the allegations made by the Power Minister of Uttar Pradesh against your Company soon after the High Court Judgement. The dues about which the Power Minister has made a reference in his statement are in our opinion neither payable nor legal. I would like to mention that your Company is always prompt in clearing lawful dues. It was reported that U.P. Government had recommended to the Central Government that Hindalco should be nationalised. This was subsequently denied by the Industry Minister of U.P. stating that the State Government had not taken any such decision. It was also reported that the Minister of State for Industries of U.P., Shri Reoti Raman Singh recently told newsmen that it was not the policy of the Government to nationalise efficiently run factories. Some other statements have also appeared in the newspapers lately on the question of nationalisation.

An Editorial of the 'Pioneer' published from Lucknow has made some pertinent comments in the matter. A copy of the relevant portion of the Editorial is attached to the cyclostyled copy of my speech which has been distributed to you and thus I need not take your time by reading it.

As far as we know it is not the Government Policy to take over or nationalise industries just for the sake of it, as was stated by the Prime Minister in the Parliament. Hindalco is a financially sound and well managed company and is being run very efficiently. Our operating efficiency can well be compared with any other plant, not only in our country but in other countries too. Whatever production loss is there is solely due to non-fulfilment of contractual obligation by the UPSEB by not supplying power as per our contract. Disregard of contractual obligations specially by autonomous bodies like State Electricity. Boards who are statutorily charged with the duty of meeting the power needs of all existing and prospective consumers, can lead to disastrous consequences for the country's economy and its industrial progress. Besides undesirable controversy in respect of an efficiently operating plant is not only injurious to the particular industry but the entire industrial growth of the country by creating an atmosphere of uncertainty.

Aluminium industry is acknowledged to be an essential industry, proper development of which is in the national interest. The country's annual production is hardly 2,00,000 tonnes against the requirement of 2,75,000 tonnes. Deman for aluminium metal is c the increase year after year sp cially in view of the heavy pr gramme of rural electrificatio and transfer of industries the villages. Thus it is all th more necessary that aluminiu factories both in the public an private sectors are run o their full installed capacitie It is also necessary for the eff cient running of the plan that a sense of healthy compe tion prevails between th various plants in the public an private sectors to enable eac plant to achieve better perfor ance. Since the Governmen policy for Aluminium industr formulated in 1975 has faile to achieve its primary obje of ensuring adequate supply o power to both the publi and private sector plants, it essential that the Governmen seriously re-formulate the pol cy taking into consideration a the important aspects, t enable both the public an private sector plants to run t their maximum installed capa city and also execute their ex pansion programme in th quickest possible time.

During the last Annual Gen ral Meeting in April 1977 ou Chairman had strongly empha sised the need of highes priority to be given for th development in Power. Con tinuous and uninterrupte supply of power is an essentia requirement for running indus ries economically and efficient ly. Though, there has been general realisation of the neces sity to increase the power avai lability by expansion and/o construction of power plant but there is still a substantia gap between the actual require ment and generation. Ever day we read in the newspaper that industrial production i suffering considerably due t power shortage. The othe day, our Hon'ble Minister fo Industry has acknowledged th

at the acute shortage of has resulted in heavy ction loss. As reported press, a West German of experts invited by rnment to study the ing of the existing power s has submitted its report, n states that there is consi- ble scope of improvement. isting power plants are ently operated, the power ion can be improved to a t extent and the country's luction can be substantially ped up. It is high time this subject is looked in- vith all seriousness and in ter depth.

The question about pricing icy of Aluminium is also y important and I would to apprise you of the same. e Bureau of Industrial Costs Prices had again undertaken studies of pricing of alumi- m. Its recommendations anxiously awaited. The al pricing policy of alumi- um which was announced the middle of 1975 was bas- on the supply of full power the Aluminium industry. onsequently the power rates ere revised upward substan- ally and prices of levy metal ere kept at an uneconomi- ally low level. In addition, he State Electricity Boards were also allowed substan- ial rebate on every ton of metal purchased by them. Unfortunately the State Elec- tricity Boards have not lived up to the expectations. There- by the aluminium industry along with the other industries which depend on Aluminium as their raw material suffered very greatly. There is therefore no more justification of conti- nuing the dual pricing policy. We hope a favourable and just decision will be taken soon in this respect.

For the expansion of our Aluminium plant, the Govern- ment has cleared the imports of required equipments and the matter has been taken up with the Suppliers. We are now requesting the Government to grant us the C. G. licence.

Expansion work of your power plant is held up due to the delay in finalising the finan- cial arrangements. Though in principal IDBI jointly with other financial institutions has agreed to finance the expan- sion of the power plant, neces- sary clarifications from the State Government is awaited. The matter is being pursued vigorously from our side.

Friends, that sums up the present situation of your Com- pany in particular and the Aluminium industry in general. Being an optimist by nature I do hope all problems will get sorted out in due course. But, of course, as somebody has defined PROGRESS as "replacing old problems with new ones" and this World will be a dull place to live in with- out problems we are ready for tackling new problems, as and when they arise.

Thank you.

NOTE : This does not purport to be a record of the proceed- ings of the Annual General Meeting.

Extracts from the editorial of the "Pioneer" dated 3rd June, 1978

HINDALCO RUMPUS

A democratic government must adhere to the rule of law and must not allow its prejudic- es and passions to cloud its judgement. It is, therefore, distressing to note a defiant and aggressive drift towards arbit- rary action in some of the Janata States to punish what the pow- ers that be regards as recalcit- rant big business. The un- spoken dictum seems to be "big is bad and small is beauti- ful". The threatened take-over of Hindalco which reportedly has been recommended for nationalisation to the centre, is illustrative of a dangerous trend.

The industry is neither sick nor bankrupt and if it has been resisting payment of certain disputed dues to the Govern- ment, it has done so under the provisions of the Law of the land. This has ruffled the feathers of some of the queer birds, both in the bureaucratic and ministerial reaches.

According to a New Delhi message State Power Minister, Mr. R. K. Shahi, has complain- ed to the centre that Hindalco was creating a lot of trouble and wanted to bully the Government through unfair means. The power Minister has got hot under the collar as the company has made it, so it is claimed, a regular practice to engage the UPSEB in legal battles to avoid payment of bills. It is stressed that pay- ment of arears amounting to Rupees Ten Crores has been stayed by the Courts or Arbit- rators in atleast ten cases. This, to put it mildly, is an amazing stand taken by a democratic Government. Any right worth the name must be justifiable, that is it can be tested freely in a court of law. If Hindalco has gone to the court challenging or otherwise contesting the demands made by the U.P. Government and the court has given stay orders pending final disposal of the matter, it cannot be threatened out of existence by a democra- tic Government. Mr. Shahi has complained of Hindalco bullying his Ministry. The re- verse seems to be the case. It is the Honourable Minister who is belching fire and brim- stone at Hindalco for its teme- rity in seeking the protection of the court against an exec- utive decree.

Admittedly the Government of the day claims to be all powerful. In fact, as Lord Bryce said about the British Parliament, it can do anything except turn a man into a wo- man or a woman into a man. Perversely, it is argued that the entire production of the com- pany is not being utilised by the Central or the State Government and that a major portion is being sold in the open market with the result that the company. "has been making huge profits". With strange logic, it is claimed that with the nationalisation of Hindalco, the aluminium pro- duced by this unit could be uti- lised entirely in the public sector.

In view of the unsatisfactory experience of the Government in running the National Tex- tile Corporation, the Finance Minister announced in his bud- get speech that "it might be a good idea if the managements of more efficient mills were to be prevailed upon to take over, as an act of social responsibility, some of the sick units and nurse them back into sound health under condi- tions to be laid down by Government. Here was a frank confession of the Govern- ment's inability to take over and run sick units with any degree of efficiency. And now a State Power Minister in his superior wisdom has made naked bid to take over a heal- thy profit making and flourish- ing unit for its effrontery in standing up to his ministry for vindicating its rights in the highest court of the land. Here is a classic instance of giving a dog a bad name and hanging it unceremoniously in one's backyard.

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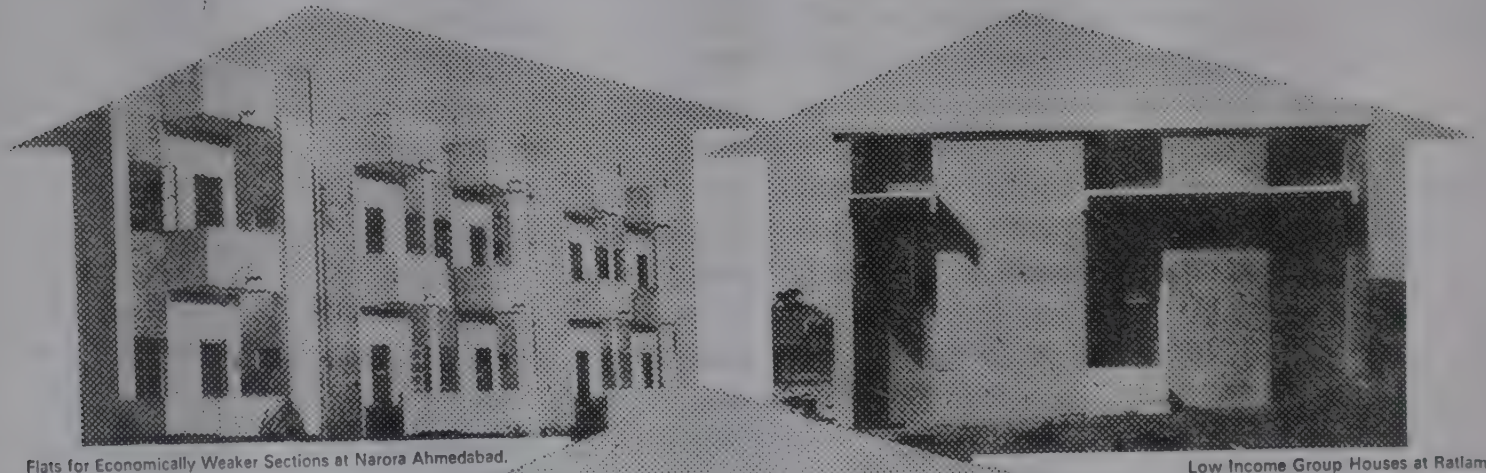

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COMPANY AFFAIRS

lustan Aluminium

JCTION of Hindustan inium Corporation in rst five months of the nt year has totalled 23,893 s and sales Rs 22.53 s. Mr A. V. Birla, a dir- who presided over the al meeting in Bombay rece- said that with the resump- of power supply to the ex- of 20 MW by the UP State tricity Board under the ction of the Supreme Court n interim measure without g into the details at this e till the disposal of case, production of minium had increased n 155 tonnes to 185 nes per day. He said the ring of the appeal was ex- ted towards the end of July.

arges Refuted

Mr Birla referred to the egations made by the Power nister of Uttar Pradesh ainst the company of non- yment of its dues to the go- rnment. He said that the ues the minister had men- oned were neither payable or legal. He asserted that Hindalco was always prompt clearing lawful dues. Mr Birla also referred to reports hat the UP government had ecommended to the central overnment that Hindalco hould be nationalised. It was lso reported, he said that Mr Reoti Raman Singh, UP's minister of state for Industries, had told newsmen that it was not the policy of the state go- vernment to nationalise efficiently run factories. Hindalco, Mr Birla said, was a financially sound and well managed company and was being run efficiently which could be compared not only with other plants in the country but also in other countries. If there was any production loss it was solely due to non-fulfilment of contractual obligations of the UP State Electricity Board.

National Interest

Aluminium industry being an essential industry, its proper development, Mr Birla said, was in the national interest. Against a demand of 2,75,000 tonnes of aluminium the country was producing hardly 2,00,000 tonnes. Since the governments policy formulated in 1975, has failed, Mr Birla wanted the government to reformulate the policy to enable the public and private sector plants to run to their maximum installed capacity.

Mr Birla said for the expansion of the company's plant, the government had cleared the imports of required equipments and the matter had been taken up with the suppliers. The company was now seeking capital goods licence. Expansion work of the power plant was held up due to the delay in finalising the financial arrangements. Although in principle, the IDBI jointly with other financial institutions had agreed to finance the expansion of the power plant, necessary clarifications from the state government were awaited. He hoped that all the problems would get sorted out in due course. He said in the present uncertain atmosphere no decision could be taken on the issue of bonus shares. It would depend on circumstances and the board would consider the same only at an appropriate time.

Thousands of Hindalco shareholders who attended the annual general meeting had nothing but high praise for its efficient management and commendable performance. Shareholders condemned in unqualified terms the talk of nationalisation of the organisation and assured that they would fully back the management in opposing such a move if it was made by the authorities.

Management Commended

Mr Champalal Jain, a shareholder from North Kanara in Karnataka and a Janata Party leader, asserted that the centre had no mandate to nationalise efficiently run units such as Hindalco whose financial position was sound and performance excellent and that too in spite of the UP State Electricity Board's blatant failure to honour the power supply contract. Mr Jain, who had been jailed during the emergency and is, at present, secretary of North Kanara unit of the party described Hindalco as "first class first company in the country" and said Mr G.D. Birla had shown commendable foresight in setting up this unit. He said Mr Birla anticipated power shortage and had set up the Renusagar thermal power house to meet such a situation. The 25,000 shareholders would ever remain grateful to Mr Birla for this, he said

Mr Natverlal Chandulal Dalal said, it was remarkable that in spite of actual power shortage of 100 per cent, Hindalco continued to exist and paid Rs 42.60 crores to the national exchequer as taxes and duties during this distress year". The very fact that such good progress had been made despite major problems caused by the UPSEB spoke volumes about the efficiency of the management and its chairman Mr G.D. Birla. Renusagar thermal power house, he said, is rated as the topmost power station in the country.

Mr Homavazir Bejonji Ardeshir, complimented the chairman for the good results in spite of difficulties, hardships, severe power cut and higher power charges.

Mr Minocheher Meherji Antia said only such persons can talk of Hindalco takeover who had an "evil eye" on the huge reserves of this most efficiently run and well managed large unit.

Mr Amarchand Ratanchand Motishaw described the talk of Hindalco nationalisation as "unreasonable and undesirable" and said the shareholders, in their thousands would oppose it tooth and nail.

Mr Tehmtan Maneckjee Davar urged his fellow shareholders to form an action committee to agitate against the move to nationalise a "most well-managed" unit like Hindalco.

TISCO

Notwithstanding record production and sales, Tata Iron and Steel Company has encountered erosion in margins during the year ended March 1978 due to all-round rise in cost of production.

During the year it achieved an all-time high production of 1.601 million tonnes against 1.550 million tonnes and sales 1.624 million tonnes against

1.486 million tonnes in the previous year. Steel stocks were reduced by over one lakh tonnes valued at Rs 14 crores.

Although the turnover is up by 8.08 per cent to Rs 359.74 crores from Rs 332.84 crores (inclusive of excise duties of Rs 56.81 crores against Rs 53.26 crores an increase of 6.66 per cent), the profit has declined by 7.78 per cent to Rs 45.83 crores from Rs 49.70 crores a year ago.

After bonus for the year (Rs 5.66 crores against Rs 2.29 crores), additional bonus for previous year Rs 3.32 crores against Rs 1.21 crores) and interest on borrowing (Rs 10.73 crores against Rs 10.87 crores), the gross profit has declined sharply by 26.06 per cent to Rs 26.12 crores from Rs 35.33 crores in 1976-77.

With depreciation accounting for Rs 18.25 crores (against Rs 17.27 crores), the pre-tax profit has nosedived by 56.40 per cent to Rs 7.37 crores from Rs 18.05 crores in the preceding year. However, on account of lower charges for taxes Rs 10 lakhs against Rs 6 crores), the decline in the after-tax profit is smaller with Rs 7.77 crores against Rs 12.05 crores, indicating a fall of 35.52 per cent.

Better Balance

After investment allowance reserve (Rs 3.85 crores against Rs 3.60 crores) and plant modernisation and development fund (nil against Rs 5.31 crores), there is, however, a better balance of Rs 3.92 crores compared to Rs 3.14 crores earlier.

The disposable profit is placed higher at Rs 7.82 crores against Rs 6.59 crores after writing back from the development rebate reserve (Rs3.90 crores against nil) and the general reserve (nil against Rs 3.45 crores). In view of the rise in disposable profit, the dividend is being raised by a point to 11 pet cent, claiming Rs 5.66 crores against Rs 5.14 crores. With the usual preference dividend absorbing Rs 84.39 lakhs (same). the total on the dividend account will be Rs 6.50 crores against Rs 5.99 crores in 1976-77. It has transferred to the debenture redemption reserve (Rs 6 lakhs against same) and to the general reserve Rs 23 lakhs against nil), leaving a balance (Rs 52 lakhs against nil) to be carried forward.

Inadequate Rise

Releasing the results, Mr J.R.D. Tata, chairman, said the recent rise in price of steel allowed by the government was inadequate in the context of larger bonus liability, the uncompensated cost escalation, which was as much as Rs 326 per tonne. But the government had raised the price by only Rs 175 per tonne.

Mr Tata explained that the pre-tax profit declined substantially on account of increases in operating costs due to increase in dearness allowance, prices of raw materials and stores, much higher provision for bonus and higher provision for depreciation.

Referring to the new scheme of setting aside the funds arising out of the rise in price in case of priority items, Mr Tata said this amount was to be utilised for the modernisation, of steel industry. However, what would be the modality of distribution from this fund and how much would be allotted to Tisco was not certain.

Coming to the expansion, Mr Tata revealed that the company had already taken up a modernisation programme at

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nated cost of Rs 160
Besides, a major ex-
n programme involving
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laram Finance

ressing the annual gene-
meeting of Sundaram
ce Ltd, its chairman
. S. Santhanam said
he company had another
ssful year of operation in
The amount advanced
hire purchase contracts
g 1977 was higher at
572.25 lakhs as compar-
Rs 1,175.48 lakhs in the
ous year. The gross
t rose to Rs 450.26 lakhs
ainst Rs 414.72 lakhs in
previous year. The net
t before tax amount-
to Rs 196.08 lakhs as
nst Rs 172.22 lakhs. After
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ng credit for the tax re-
ls, the balance available for
sfer to reserves and divi-
ds is Rs 72.10 lakhs as
inst Rs 64.22 lakhs in 1976.
he directors have recom-
nded a final dividend of eight
cent subject to tax, which
luding the interim divi-
nd of eight per cent works
to 16 per cent for the year
77. The quantum of divi-
nd is Rs 24.00 lakhs for the
counting year 1977.

The company had suspended
ceptance of fresh deposits
om March 1, 1977 as the
vel of deposits almost rea-
ed the limit fixed by the
ompany.

It resumed acceptance of
esh deposits from January
, 1978 and the response
rom the public far exceeded
nticipation. As the flow of
urther deposits could not be
ainfully employed, the com-
pany again suspended accept-
ance of fresh deposits from March 18, 1978.

Indian Organic Chemicals

Indian Organic Chemicals has suffered a sharp set-back in its performance for the year ended March 31, 1978. Its sales have slumped to Rs 34.93 crores from Rs 49.38 crores, a fall of nearly 30 per cent. Its pre-tax profit at Rs 3.90 crores shows a fall of 45 per cent over that of Rs 7.24 crores for 1976-77. Despite the sharp fall in profits and profitability, the directors have proposed to maintain the equity dividend at 15 per cent for the year.

The company's net profit for 1977-78 amounts to Rs 1.54 crores against Rs 3·04 crores for the previous year after providing Rs 2.32 crores (Rs 3.90 crores) for taxation and Rs 12.50 lakh (Rs 30 lakhs) for investment allowance. The proposed dividend will claim Rs 83.71 lakhs (same).

The fall in the company's earnings is because of the drop in sales and price realisation for polyester fibre, which accounts for nearly two-thirds of the total turnover. The company's polyester fibre plant at Manali has had to face several constraints and its profitability has suffered considerably because of the substantial disparity between the prices of imported and indigenous fibre.

According to the directors the company continue to suffer unfairly from the results of the operation of the excise relief scheme which was introduced for three years effective April 1, 1976. The competition from units receiving substantial excise relief became more acute during 1977-78 than in the previous year. Further the excise duty on polyester fibre, and ethylene glycol and other materials and imputs has been raised by five per cent in the last budget, which under the present conditions, has to be absorbed by the manufacturer.

The company has initiated action for expansion of its polyester fibre capacity. It has received a letter of intent for doubling the capacity to 12,200 tonnes a year. Its rectification programme is expected to be completed in September next which will help in improving the plant's capacity to produce fibre to match market requirements.

The company's Khopoli unit, producing a wide range of chemical's showed satisfactory results for the year under review. Its turnover improved further due to commissioning of the acetic anhydride plant and better capacity utilisation of the plasticizer plant. However, the profits did not keep pace due to rising costs.

Kesoram Industries

Kesoram Industries and Cotton Mills has undertaken an extensive modernisation programme of its textile section to be completed over a period of three year at a cost of four crore rupees. In the first instance financial institutions have already sanctioned a soft loan of two crore rupees for the purpose. Orders for machinery and equipment are being placed. The company has also taken up overhauling and modification of its rayon and transparent paper sections to improve their efficiency. Some balancing equipment is being added for better utilisation of the plants. The clinker section of the third cement unit, with a capacity of 2.5 lakh tonnes per annum, was inaugurated in March last and the cement mill is expeated to be commissioned by July 1978.

Alkali & Chemical

The Alkali and Chemical Corporation of India has incurred a loss of Rs 97 lakhs for the half-year ended March 1978, against a pre-tax profit of Rs 1.20 crores in the corresponding half-year ended March 1977. Taxation has not been provided for this period, against Rs 69 lakhs in the previous year. A sum of one lakh rupees has been written back from development rebate reserve.

The board has decided not to declare an interim dividend in equity shares for the year ending September 1978. Sales of the company were Rs 20.17 crores (Rs 24.39 crores).

Crescent Dyes & Chemicals

To dilute the foreign shareholding to 40 per cent as per FERA guidelines, Crescent Dyes and Chemicals, formerly known as ICI (India) will make an offer for sale of 14.40 lakh equity shares of Rs 10 each to the Indian public at a premium of Rs 2 per share.

The company has been, so far, a wholly-owned subsidiary of the Imperial Chemical Industries which is offering the shares from its holding,

Out of these 14.40 lakh equity shares, 2.60 lakhs will be reserved for allotment to the company's ex-employees and business associates. The balance of 11.80 lakhs will be offered for public subscription, the list for which will open some time in August next.

Meanwhile, the company will issue 800,000 bonus shares in the ratio of one for two to the existing shareholders. With this issue the

subscribed and paid-up capital of the company will be Rs 2.40 crores comprising of 24 lakh shares of Rs 10 each.

The company's performance so far has been quite encouraging with sales during the last five years advancing from Rs 22.02 crores in the year ended September 1973 to Rs 331.84 crores in the year ended September 1977. During the same period profit has jumped up from Rs 42 lakhs to Rs 104 lakhs. The company has had a praiseworthy record of dividend payment. It was 15 per cent for 1975 and 25 per cent for 1976 and 14 per cent for 1977. The company's reserves and surplus at the end of September 1977 stood at Rs 2.10 crores.

Best & Crompton Engineering

The sales of Best and Crompton Engineering Ltd have gone up from Rs 25.90 crores to Rs 28.43 crores—an improvement of 9.37 per cent. The gross profit has also improved from Rs 1.75 crores to Rs 1.89 crores leading to an increase of eight per cent. Overseas operations have shown an improvement of 145.40 per cent. The company's liquidity position has also improved by better management of inputs and control over inventory and purchase of fixed assets. The company has paid its due dividend on ordinary preference shares. A final dividend of 3.625 per cent on second preference shares and a dividend of Rs 15 per cent on equity shares has been proposed.

Shares of the company in the market have shown a marked improvement over the last few months from Rs 7.75 to a peak rate of Rs 18. The company's nett worth has increased from Rs 3.61 crores to Rs 3.88 crores and a sum of Rs 25 lakhs has been added to the reserves for the current year.

Union Carbide

Union Carbide expects to produce 400 million dry battery cells by the end of this year against the present production of 365 million. The industry's total output by the end of this year will be around 700 million pieces against the present level of 650 million. This was stated by Mr Krishan Goswamy, a consultant to Union Carbide, recently while launching the company's new leak, moisture and dust-proof cell.

Pressure Cookers and Appliances

The new shares which are being issued by Pressure Cookers and Appliances on July 5 will rank for dividend from the year commencing from October 1978. The entire amount is payable on application. The company is issuing additional 1.80 lakh equity shares of Rs 10 each and making an offer of sale of 2,02,600 equity shares of Rs 10 each at a premium of Rs 2.50 per share. Out of the public issue and offer of sale, 54,000 shares have been reserved for firm allotment to the company's emyloyees.

The public issue is intended to secure the listing of the shares on the stock exchanges. After the shares are listed, the company's basic tax rate will come down from the current 64 per cent to 57.75 per cent. The company has a good record of performance. During the year ended May. 1977, its sales totalled Rs 4.84 crores, yielding a gross profit of Rs 104.86 lakhs and net profit of Rs 24.06 lakhs. For the six-month period ended November 1977, sales totalled Rs 2.64 crores, the gross profit Rs 50.12 lakhs and the net profit Rs 16.15 lakhs.

For 1976-77, an equity dividend of 20 per cent has been declared. For the 16-month period ending September 1978, an interim dividend of 20 per cent has been declared and there is no intention to recommend any further dividend. The directors have indicated a dividend of not less than 20 per cent for the year ending September 1979 on the increased capital. The chairman, Mr H.D. Vasudeva said, there was good future for the company. Out of the estimated 6.5 to 7 million pressure cookers in the country, the company's accounted for about 2.1 million cookers.

Hindustan Sanitaryware

Hindustan Sanitaryware and Industries has stepped up the equity dividend from 15 per cent to 17 per cent for the year ended March 1978. Production sales, exports and profits—all have recorded a substantial rise, Production of sanitaryware has increased from 5,876 tonnes to 6,226 tonnes. The company has made a gross profit of Rs 110.18 lakhs on sales of Rs 5.25 crores against a profit of Rs 84.08 lakhs on sales of Rs 4.31 crores in the previous year.

Allocations include depreciation Rs 14.80 lakhs (Rs 13.78 lakhs) and taxation Rs 54 lakhs (Rs 35.60 lakhs). The equity dividend will absorb Rs 12.55 lakhs (Rs 11.08 lakhs) and is covered almost four times by the year's earnings. Exports have recorded a rise of about 24 per cent from Rs 54.27 lakhs to Rs 67.21 lakhs. For the fourth successive year, the company has won an award from the Chemicals and Allied Products Export Promotion Co for outstanding export pe mance.

Vulcan-Laval Prop for Expansion

The Monopolies and Re tive Trade Practices Con sion (MRTP) has recomm ed the approval of the posal of Vulcan Laval substantial expansion o undertaking by manufa of cigarette making tobacco processing machi on condition that they export 20 per cent of its duction of such machiner ten years with an optio the applicant company fo first five years to ex machinery other than ciga machinery of 1½ times value of cigarette machi It has made this recomme tion on the grounds m that it will help weaker monopolistic position of sent suppliers of such m nery, lower the cost of m nery, update the techno relating thereto and help t the export of unmanufact tobacco immediately and of tobacco products and rette making machinery i long run. The commiss report thereby introduces concept of one multinati firm being usefully allow compete with another m national firm.

Vulcan-Laval which ha present 70 per cent fo held equity will soon be a company with only 40 cent foreign equity capital its inter-connection WIMCO may also be s ped.

The report shows how better production met and export strategy, our cessed tobacco can impro quality and successfully pete in foreign markets cularly in EEC countries.

ia's international estment position: 1973-74

n below are the findings of a study prepared in the Division of Balance of ments of the Reserve Bank of India and published in the March 1978 issue of RBI Bulletin.

GROSS foreign liabili- Rs 10,639 crores at rch 1974 showed a of Rs 627 crores (5.9 nt) during the year, as a rise of Rs 879 crores r cent) during the pre- year. Excluding valua- hanges, the decline in ies amounted to Rs 897 during the year. The e in liabilities was wholly nted for by the official , gross foreign liabilities he non-official sector g increased during the by Rs 103 crores.

rnal Assets

Rs 1,878 crores at the of March 1974, India's rnal assets, on the other J, registered an increase of 208 crores (12.5 per cent) ng the year, as compared the more modest increase Rs 61 crores (3.8 per cent) ing the preceding year.

xcluding valuation changes, ss external assets showed increase of Rs 192 crores ring the year, with assets in e form of foreign exchange serves rising by Rs 101 ores and in those of export lls drawn in India going up Rs 89 crores. The major rt of the increase in the ssets during the year (59 per nt) was accounted for by the on-official sector, though as uch as 74 per cent of the ssets were held by the official sector at the end of March 1974.

Overall, India was a net debtor to the extent of Rs 8,761 crores at the end of March 1974, the indebtedness being Rs 835 crores lower than the position a year ago. Exclusive of valuation changes, the decline in net indebtedness during the year to end-March 1974 amounted to Rs 1,089 crores. Most of the decline of Rs 815 crores during the year was recorded by the official sector whose share in the total net indebtedness dropped marginally from 82.3 per cent to 81.1 per cent during this period.

The outstanding gross foreign liabilities of the official sector amounted to Rs 8,493 crores at end-March 1974. The fall of Rs 730 crores over the year—in sharp contrast to a rise of Rs 780 crores during the preceding year—reflected a sizeable decline of Rs 913 crores in outstanding loans, which was partly offset by the increase of Rs 118 crores in other liabilities and drawings of Rs 64 crores from the IMF. Excluding valuation changes, gross liabilities declined by Rs 973 crores during the year.

The net foreign liabilities of the official sector declined by Rs 815 crores to Rs 7,101 crores during the year, as against an increase of Rs 757 crores during the preceding year. Excluding valuation changes, these liabilities declined by Rs 1,042 crores during the year.

The total gross foreign liabilities of corporate industrial and commercial enterprises, together with the liabilities of other non-official entities under suppliers' credits, stood at Rs 1,973 crores at end-March 1974, showing a rise of Rs 95 crores during the year as against that of Rs 104 crores during the preceding year. Excluding valuation changes, the increase during the year amounted to Rs 68 crores. The long-term

TABLE II

Official Sector : Foreign Assets and Liabilities

(Rs crores)

	End-March 1973	End-March 1974
I. Assets	1306.7	1392.3
Foreign exchange reserves	663.8	764.5
Others	642.9	627.8
II. Liabilities	9223.4	8492.6
IMF drawings	—	64.1
Loans	8252.2	7339.3
Others	971.2	1089.2
III. Net position	—7916.7	—7100.3

TABLE I

India's Overall International Investment Position

(Rs crores)

	Official sector			Non official sector			Total		
End-March	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
1971	1171	7942	—6771	321	1866	—1545	1492	9808	—8316
1972	1284	8443	—7159	325	1944	—1619	1609	10387	—8778
1973	1307	9223	—7916	363	2043	—1680	1670	11266	—9596
1974	1392	8493	—7101	486	2146	—1660	1878	10639	—8761

liabilities—direct investment capital and 'other capital'—continued to dominate the gross foreign liabilities of the corporate sector. The short-term liabilities reflecting mainly unremitted dividends accruing to non-residents on their investment in rupee companies remained around one per cent of the total gross liabilities. The total gross foreign assets of the corporate sector at end-March 1974 stood at Rs 394 crores, showing a rise of Rs 116 crores during the year, as against the nominal rise of Rs 15 crores during the preceding year. The assets were overwhelmingly of short-term nature and the increase in them during the year reflected largely the rise in the outstanding export bills.

Overall, the net foreign liabilities of the corporate sector declined by Rs 21 crores to Rs 1,580 crores during the year to end-March 1974. Adjusted for valuation changes, the fall in net liabilities during the year amounted to Rs 48 crores.

TABLE III

Corporate Industrial and Commercial Enterprises : Foreign Assets and Liabilities

(Rs crores)

	End-March	
	1973	1974
I. Assets	277.6	393.6
1. Short-term	256.8	373.8
2. Long-term	20.8	19.8
II. Liabilities	1878.0	1973.4
1. Short-term	20.7	30.4
2. Long-term	1857.3	1943.0
III. Net position	—1600.4	—1579.8
1. Short-term	236.1	243.4
2. Long-term	—1836.5	—1923.2

Non-credit cooperative structure

The year ended June 30, 1976, witnessed further growth in the activities of non-credit cooperatives, particularly of marketing and processing societies and consumers' stores. This is revealed in the statistical statement relating to cooperatives published by the Reserve Bank of India.

THE NUMBER of non-credit societies (in respect of reporting states and union territories)—both agricultutal and non-agricultural—was 1,48,927 with a membership of 23.8 million as on June 30, 1976. The co-operative marketing structure comprised the National Agricultural Co-operative Marketing Federation, 23 state co-operative marketing societies (excluding one each in Assam, Bihar, Jammu & Kashmir, Manipur and Meghalaya in respect of which data were not available), 378 regional or central marketing societies and 3,174 primary marketing societies (excluding societies in the non-reporting states and union territories, viz, Assam, Jammu & Kashmir, Meghalaya, Nagaland, Andaman & Nicobar Islands and Arunachal Pradesh).

Of the 3,174 primary societies, 2,606 societies were general purpose marketing societies and 568 societies were dealing in the marketing of specific commodities such as cotton, arecanut, coconut, tobacco, fruits and vegetables. The 3,174 primary marketing societies had a total membership of 3.2 million and working capital of Rs 275.4 crores in 1975-76 (Rs 263.8 crores in 1974-75). They sold goods worth Rs 994 crores during 1975-76, as against Rs 772 crores in 1974-75.

About 545 primary marketing societies had rendered assistance in ensuring linking of credit with marketing during the year 1975-76. They recovered loans aggregating Rs 39.1 crores on behalf of 17,931 primary agricultural credit societies during 1975-76. The processing societies, especially sugar factories, also assisted in linking of credit with marketing. They recovered loans to the tune of Rs 62.5 crores on behalf of 11,029 primary credit societies during 1975-76. Thus, the marketing and processing societies together recovered loans totalling Rs 111.9 crores during 1975-76 (including recoveries of Rs 10.3 crores by the central marketing societies). The amount recover-

ed by the marketing an
cessing societies formed
12 per cent of the total
ries effected by the p
agricultural credit so
during 1975-76.

The predominant posit
the field of processing so
continued to be held by
operative sugar factories
of 190 factories as on Ju
1976, 99 factories were i
duction during 1975-76.
crushed 195 lakh ton
cane during the year,
yielded 24.5 lakh ton
sugar (valued at Rs 412
as against 22.5 lakh ton
sugar produced in 1974-7

Processing Societies

The total sales of suga
by-products increased
Rs 397.6 crores in 1974-
Rs 526 crores in 1975-76
the 224 cooperative
ginning and pressing so
on June 30, 1976, 175 so
were engaged in ginni
cotton, as against 171 so
in the previous year.
ginned five lakh tonne
cotton and pressed 8.5
bales of cotton during 19
The other agricultural p
sing societies numbering
had engaged themselves i
vities such as paddy hu
oil crushing and processi
fruits, vegetables and
commodities and sold p
sed goods worth Rs 11.7
during the year as a
Rs 8.2 crores in the pre
year.

The primary weavers'
operative societies num
10,514 (excluding thos
Andhra Pradesh, A
Meghalaya, Nagaland, A
man & Nicobar Islands
Arunachal Pradesh for
data were not available)
had a total loomage o
lakhs, of which four
looms were active. The

produced by the
eavers' societies dur-
year amounted to
ores, while their sales
to Rs 103.2 crores.
er types of primary
societies (excluding
Assam, Bihar, Mani-
ghalaya, Andaman and
Islands and Mizoram,
in respect of which
available), numbered
with production of
crores and sales of
crores during the year.
nning mills numbering
a total spindleage of
0 lakhs, sold finished
worth Rs 77 crores dur-
5-76, as against Rs 66
in 1974-75.

sales of 466 wholesale
ners' stores for which
ave been furnished (i.e.
ing those in Jammu &
nir and Andaman &
ar Islands), amounted to
2.2 crores in 1975-76 as
st Rs 420.4 crores in the
ous year. The number of
ry stores increased from
5 to 18,093 during the
and their total sales
ased from Rs 294.7 crores
74-75 to Rs 302.2 crores
975-76

sing Societies

he state-level housing
eties numbering 17 had an
all working capital of
247.1 crores in 1975-76 as
pared to Rs 223.6 crores in
previous year. The number
primary housing societies
cluding those in Jammu &
shmir and Andaman &
cobar Islands for which data
re not available), was 27,629
n June 30, 1976, as against
633 as on June 30, 1975.
e total number of indepen-
nt houses and tenements
nstructed by primary socie-
s during the year was 30,845.
As on June 30, 1976, there
re 2 state-level milk supply
unions, 198 other milk supply unions and 20,847 milk production and supply societies (excluding those in Jammu & Kashmir and Andaman & Nicobar Islands for which data were not available). The value of total sales of milk and milk products increased to Rs 336.5 crores in 1975-76 from Rs 295.6 crores in the previous year. The unions and societies disbursed loans totalling Rs 9.5 crores during the year.

Farming Societies

The number of joint farming societies increased from 4,620 to 4,705 (data relating to societies in Assam, Jammu & Kashmir, Nagaland and Andaman & Nicobar Islands were not available). Out of 3.4 lakh hectares of land under command of the reporting units, the net area sown remained at two lakh hectares during the year 1975-76. The number of collective farming societies also increased from 4,237 to 4,402 (data relating to societies in Assam, Jammu & Kashmir, Nagaland and Andaman & Nicobar Islands were not available). The land under their command was two lakh hectares of which the area sown was one lakh hectares.

The number of irrigation societies was 3,169 as on June 30, 1976. The total area irrigated by them was 1.2 lakh hectares in 1975-76.

The total number of fishermen's societies increased from 3,971 to 4,138 in the year 1975-76 (excluding those in Assam, Bihar and Andaman & Nicobar Islands for which data were not available). They had a membership of 4,76,464. The loans advanced by them amounted to Rs 77 lakhs and their total sales of fish, fishing materials, consumers' goods, etc, were of the order of Rs 21.7 crores during 1975-76.

NOTICE

It is hereby notified for the information of the public that Modi Industries Limited, Modinagar (U.P.) proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking for the production, supply, distribution or control of :

Item of Manufacture	Installed Capacity M.T. p.a.	Estimated Annual Production M.T.
(i) Steel Tyre Cord Wire	2000	2000
(ii) Steel Tyre Bead Wire	1500	1500
(iii) Hose Wire	300	300

Other particulars of the proposed new undertaking are as under:

(i) Name of the proposed undertaking: MODI SPECIAL WIRES LIMITED

(ii) Name(s) of person(s) or authority/ authorities proposing to establish the new undertaking. Where it is a body corporate, furnish details of its management, structure together with those of the proposed undertaking. MODI INDUSTRIES LIMITED MODINAGAR (U.P.)

(iii) Capital structure of the applicant person or authority and of the proposed undertaking.

	Existing (Modi Industries Limited)	Proposed (New Undertaking)
(a) Authorised Capital	4,00,00.000	4,00,00,000
(b) Subscribed Capital	2,04,94,140	2,00,00,000
(c) Paid-up Capital	2,04,94,015	

(iv) Proposed location of the new undertaking : At a notified backward area in the State of Uttar Pradesh

(v) Brief outline of the cost of project, the scheme and source of finance:

(a) **Cost of Project:**

Land	35 lacs
Building	40 lacs
Plant & Machinery	525 lacs
TOTAL	600 lacs

(b) **Source of Finance:**

Investment by collaborators	32 lacs
Investment by Modi Industries Ltd.	48 lacs
Public Issue	120 lacs
Loans from Financial Institutions, Banks etc.	400 lacs
TOTAL	600 lacs

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

Sd/-
Umesh Kumar Modi
Managing Director
Modi Industries Ltd., Modinagar (U.P.)

Dated this day of June 27, 1978

Indebtedness of rural artisans households

A study prepared in the All-India Debt and Investment Survey Cell of the Division of Field Surveys of the Reserve Bank of India and published in the March 1978 issue of the RBI Bulletin reveals that artisan households numbering about 19 lakhs constituted only 2.4 per cent of the total rural households as at the end of June 1971.

ARTISAN HOUSEHOLDS accounted for 1.4 per cent of the total debt of all rural households of Rs 3,848 crores, againt 4.7 per cent in respect of agricultural labourers and 6.2 per cent in the case of other non-cultivators. About 39 per cent of the rural artisan families reported debt in 1971-72, as against 36 per cent of agricultural labourers, 32 per cent of 'other' non-cultivators and 46 per cent of cultivators. The average debt per artisan household was only Rs 287 as compared with Rs 605 per cultivator household and Rs 293 per "other non-cultivator" but was higher than that of an agricultural labour household (Rs 161). Of the total debt of artisans, 98 per cent was in cash and the rest in kind.

The bulk of the cash debt of artisans was due to the non-institutional agencies (95 per cent). Agricultural moneylenders and professional moneylenders together accounted for 50 per cent of the total debt. Among the institutional agencies, the bulk of the funds was provided by the government (2.7 per cent of total) followed by the cooperatives (1.7 per cent) and commercial banks (0.3 per cent).

The production debt of rural artisans was mainly for the purpose of expenditure on non-farm business which is their main activity. Out of an aggregate amount of about Rs 12 crores of debt for production purposes, Rs 10.5 crores, or 88 per cent, was for expenditure on non-farm businesss.

For all artisans together, nearly 64 per cent of the debt was for household expenditure. Those in the lower asset groups of upto Rs 5000 had incurred more debt for household expenditure than the artisans in the higher asset groups. This indicates the regressive nature of the debt burden. For all artisan households, about 95 per cent of the debt was from non-institutional sources, 77 per cent of the debt was for "other than production purposes" and 67 per cent of it was at rates higher than 12½ per cent. The largest amount of aggregate debt was borrowed by the asset group of Rs 2,500—Rs 5000 but the largest proportion of production debt and institutional debt was reported by the highest asset group of Rs 10,000 and above. Not all debt from "relatives and friends" could have been free of interest for some of the asset groups and that not all debt from the credit agencies other than "relatives and friends" could have been at a positive rate of interest due either to extra economic considerations or the practice of covering up of interest within the principal itself.

The marginal and weaker sections of artisans borrowed from non-institutional agencies to the extent of 74 per cent of their debt and from "friends and relatives" 22 per cent, their reliance on institutional sources was very meagre at four per cent. Accordingly, the interest rates they paid on their debts were also relatively high. Nearly 57 per cent of their debt was at 12.5 per cent and above and only 13 per cent of their debt was at 'nil' rate of interest. While almost all the debts of the higher asset groups were of sizes less than the size of their asset holdings, for the lower asset groups some part of their debt fell outside the size of assets, indicating a heavier burden of debt particularly in view of the unproductive nature of most of the debt.

Debt Burden

Another disquieting feature was the heavy burden of debt on these classes. Nearly 74 per cent of their debt was incurred for household expenditure, which was mostly unproductive, while only 14 per cent was for non-farm business and two per cent for farm business. The bulk of it had been secured from non-institutional agencies at high rates, in view of the fact that institutions supplied only about four per cent of their debt. Of their total cash debt nearly 91 per cent was unsecured which again reflected the inability of these classes of people to provide any tangible security for their borrowings. Bulk of these unsecured debts was for household expenditure and mostly from non-institutional agencies. It is these groups of artisans who require all debt relief measures as well as sional finance facilitie for production and co tion purposes.

Artisan households only small pieces of together with some to equipments as assets Rs 409 on an avera household. Their hold assets were estimated at crores, constituting a n ble proportion (0.5 pe of the total assets of households in 1971.

Important Category

Yet they are an imp category of the rural co nity for two reasons. they represent a traditio heritage in village in which is to be prevented extinction. Second, so their wares have an market and are vital f economy. One aspect of problem is human n employment. Although o one hand in the wake of cultural prosperity, they an expanding rural marke their products and ser there is always a dange stagnation in the deman their products due to dif ties of marketing, stiff co tition from machine- goods and due to cha fashions. Some of them duce goods for household and many for a market. number of cases, these g are of high aesthetic qua Better opportunities give artisans in the rural may help hold them whereas they have been, in past moving, towards the u centres in search of ma for their wares and sk Nearly three-fourths of artisans fell in the category poorer or weaker section rural families with assets b Rs 2,500

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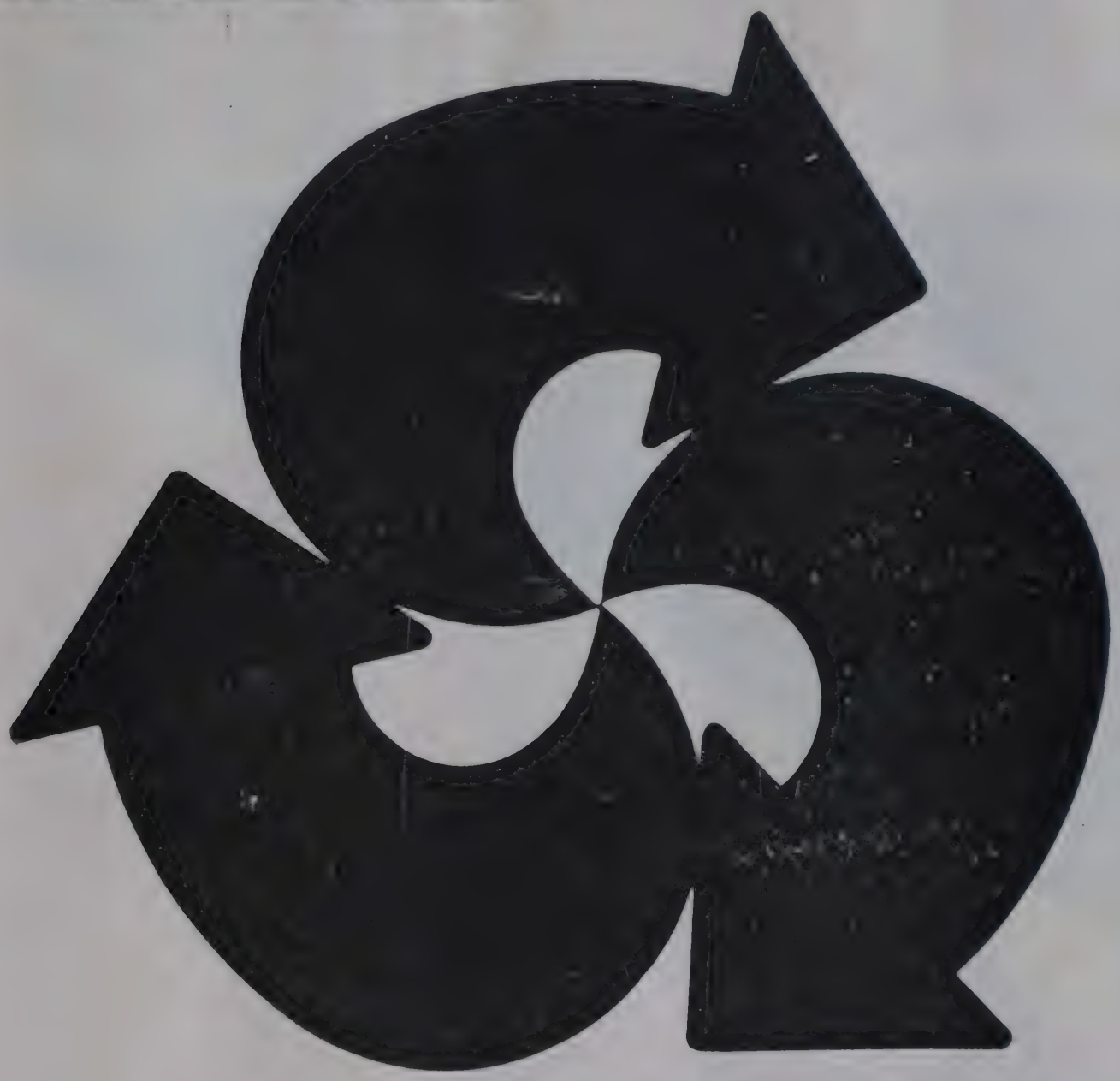

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